

## NEWS SUMMARY

### GENERAL

## Peach jury call to curb SPG

Teacher Blair Peach died by misadventure at last year's Southall riots, an inquest jury decided.

But the jury members called for more control of the Special Patrol Group by their officers, and said no unauthorised weapons should be available in police stations.

During the five-week hearing, the jury heard that Peach, aged 33, died after a blow to the head, which witnesses said happened during a charge by SPG officers.

### Schmidt set for Brezhnev talks

Chancellor Helmut Schmidt of West Germany is to visit Moscow on June 30 and July 1 for talks with President Leonid Brezhnev of the Soviet Union.

Afghanistan and prospects for East-West arms control will be high on the agenda for the meeting, which is viewed as one of Herr Schmidt's most delicate initiatives as Government leader. **See Page 3**

### 85 for Olympics

The International Olympic Committee said 85 countries have entered the Moscow Games, and 56 have either declined invitations or not replied.

### Obote returns

Former Uganda President, Yoweri Obote returned home after a nine-year exile. He promised the Uganda People's Congress would end corruption, restore law and order and reconstruct the economy if it was returned to power. **See Page 3**

### 19 die in Kwangju

Seventeen students and two soldiers died as South Korean troops regained control of Kwangju city centre after a week-long insurrection. **See Page 3**

### Murder charge

Belfast labourer Robert Murphy, 22, was charged with the murder of 12 people who died in the La Mon House restaurant bombing in County Down more than two years ago.

### Budget deadlock

EEC Economics and Finance Ministers left Brussels without finding a solution to the dispute over the UK's budget contribution. **See Page 3**

### Reshuffle plan

Israeli Premier Menachem Begin is considering a Cabinet reshuffle which would transfer hard-line Foreign Minister Yitzhak Shamir to the Defence portfolio. **See Page 3**

### Saudi initiative

Saudi Arabia is reported to have embarked on a Middle East initiative to replace the dead-ended Palestinian autonomy negotiations between Egypt and Israel. **See Page 3**

### Penalty threat

The Government has compiled a confidential list of 21 councils in England and Wales which will be penalised for overspending unless they can show special circumstances. **See Page 10**

### Briefly . . .

Manual workers' industrial action again halted most flights out of Luton airport.

Ten people died during clashes in Assam, north-east India.

French lorry and van drivers demanding more flexible delivery hours jammed motorways round Paris.

### CHIEF PRICE CHANGES YESTERDAY

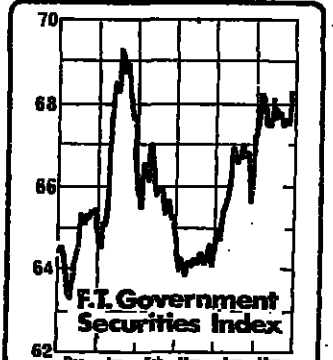
(Prices in pence unless otherwise indicated)

RISES	FALLS
Treasury 117.5 1981 592.1 +	Allied Colloids 110. - 7
Excheq. 125 99-02 592 +	BPC 171. - 4
Anderson 373. - 11	BTR 373. - 11
Strathclyde 79 + 3	Babcock Intl. 80. - 3
Debenhams 71 + 2	Leitrim 350. - 7
Edinburgh & Gen. 37 + 3	GEC 350. - 7
Kelley 127 + 4	Gieves 45. - 4
Legal & General 174 + 6	Grattan Warehouse 52. - 4
Paradise 21. + 4	GKN 232. - 8
Allstate Exploration 65 + 10	ICI 114. - 6
Alstate Exploration 65 + 10	Leitrim 350. - 7
Bougainville 112 + 10	Lloyds Bank 258. - 7
Cons. Gold Fields 485 + 11	Lucas Inds. 197. - 5
Conzinc Riolinto 272 + 12	Midland Bank 323. - 7
Gold Mts. Kalgoolie 236 + 18	Phoenix Timber 114. - 6
Haroma Gold 60 + 8	Racal Elec. 228. - 8
Poseidon 131 + 11	Reckitt & Colman 166. - 4
Samantha Explor. 80 + 16	Robertson Foods 126. - 6
Strata Oil 15 + 5	Tube Invs. 232. - 4
Western Holdings 227 + 13	Unilever 412. - 6

### BUSINESS

## Gilts firm; Equities ease

GILTS were firm, benefiting from falling U.S. prime rates, with widespread gains in medium and long although



shorts were more volatile. The Government Securities index closed 0.31 up at 68.39. **See Page 40**

● EQUITIES drifted lower, and the FT 100-share index, which at one stage shed 3.3, closed 3.3 off at 420.0. **See Page 40**

● STERLING was firm. It closed at \$2.3705, a rise of 2.55c, and its trade-weighted index reached a five-year high of 74.7 (74.3). DOLLAR: Its index was \$4.1 (\$3.4). **See Page 33 and Lex.**

● GOLD closed \$1 down in London at \$314.5. **See Page 39**

● WALL STREET was 4.77 up at 858.37 before the close. **See Page 34**

● U.S. construction group J. Ray McDermott, which has a yard near Inverness, is expected to be awarded the \$190m (£50.15m) contract by Marathon Oil for a Brae Field platform. **See Page 3**

● INCOME TAX in the Isle of Man has been reduced by 0.5p to 20p in the £, the third cut in successive years. The Manx Government is to raise social security benefits, but these will be taxed from 1981-82. **See Page 9**

● BARCLAYS BANK is to experiment with electronic methods of payments through cash cards at computer-linked petrol stations in the Norwich area. **See Page 8**

● BRITAIN has overtaken the U.S. as the leading export market for German wine. **See Page 9**

● GOVERNMENT should consult trade unions but not share decision-making with the TUC, said Sir John Boyd, general secretary of the Amalgamated Union of Engineering Workers. **See Page 12**

● BRITISH STEEL Corporation's chairman-designate, Mr. Ian MacGregor, urged employees to "face the facts" about their industry. **See Page 12**

● POST OFFICE engineers have rejected a pay increase which the Corporation says is the maximum it is prepared to offer. **See Page 12**

● BPC, the printing and publishing group, warned that its results for the first six months of the current financial year will show a substantial loss and that no interim dividend will be paid. Industrial disputes were blamed for the setback. **See Page 9**

● B & I, the Irish shipping company, which made a net loss of £121.1m (£581,704) last year, compared with a net profit of £121.4m the previous year, blamed declining tourist traffic, dearer fuel and labour unrest for the reversal. **See Page 9**

● KELSEY INDUSTRIES, the audio accessories and adhesives group, lifted its first-half pre-tax profits from £908,000 to £1,630m on turnover of £12.19m (£10.85m). **See Page 24**

## CBI sees bleak future as output declines sharply

BY JOHN ELLIOTT AND DAVID MARSH

A SHARP DECLINE in the prospects for manufacturing companies was reported last night by the Confederation of British Industry in a survey which showed that fewer orders are being booked at home and abroad and that output is falling sharply.

At the same time, there are indications that companies are delaying the introduction of price increases in order to clear stocks at a time when their competitiveness is declining and demand is poor.

These are the main points to emerge from the CBI's monthly survey of industrial trends. The survey was carried out among 1,900 manufacturing companies in the first two weeks of this month when industrial output had almost fully recovered from the effects of the steel strike.

Its publication yesterday coincided with preliminary figures issued by the Central Statistical Office which showed that overall output fell in the first quarter of this year as a result of lower industrial production.

The onset of recession was softened during that quarter by the relative buoyancy of the services sector, which was profiting from a continuing high level of consumer spending.

The CBI says, however, that manufacturers have not benefited from this consumer spending because retailers were cutting back on their levels of stocks.

It warns that its survey "provides clear evidence that the UK economy is about to undergo a difficult period during which it will be increasingly rare for companies to enjoy satisfactory and adequately profitable levels of activity."

This view has been borne out by statements in the past week from companies such as ICI, GKN, Delta Metal and Associated Engineering.

The CBI's economic staff have revised some of their forecasts and now suggest that the output of the whole economy will decline by 2 to 2½ per cent.

Shop sales remain at high level, **See Page 3**

ECONOMIC ACTIVITY		
	Gross Domestic Product, based on output data, at constant prices, with 1975 = 100 and seasonally adjusted.	Product, based on output data, at constant prices, with 1975 = 100 and seasonally adjusted.
1976	102.2	102.2
1977	104.7	104.7
1978	107.9	107.9
1979	109.6	109.6
2nd	111.4	111.4
3rd	109.5	109.5
4th	109.8	109.8
1980 1st	109.4*	109.4*

\*Preliminary estimate  
Source: Central Statistical Office

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Shop sales remain at high level, **See Page 3**

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## Pound reaches \$2.3705

BY DAVID MARSH

STERLING made fresh gains yesterday to close at \$2.3705, its highest level in London since March, 1975.

Further reductions in U.S. interest rates brought the dollar under heavy pressure against all major currencies again, with central banks intervening fairly heavily to brake its decline.

In the UK there was heavy foreign buying on the Government bond market, the main factor leading early yesterday to the exhaustion of the £1bn nominal gilt-edged stock issued 2½ weeks ago.

The stock, 13½ per cent Treasury 1992, had been only sluggishly traded until late last week.

Long-dated issues rose up to ½ points, continuing the rally spearheaded by foreign demand, which started last Friday. The reduction of some U.S. banks' prime rates to 14 per cent helped spur fresh buying yesterday afternoon.

Large-scale overseas demand for sterling investments has been encouraged by repeated Government statements ruling out an early cut in UK interest rates in spite of plummeting rates in the U.S.

The latest rise in international oil prices, which will increase Britain's North Sea revenues, has been an additional factor sparking off buying by overseas investors.

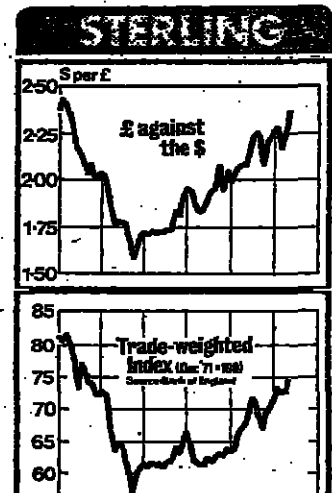
Sterling's London close yesterday was 2.55 cents above its closing level on Friday before the Bank Holiday weekend, but slightly below the high of 2.3750 recorded on Monday in Far East markets. The trade-weighted index of its value against a basket of other currencies closed at a five-year peak of 74.7, compared with 74.3 on Friday.

The pound has now risen by about 12 cents this month, and has appreciated by more than 11 per cent on a trade-weighted basis during the last 12 months, in spite of a doubling in the annual rate of UK retail price inflation in that time.

The Bank of England intervened intermittently yesterday to try to restrain the pound's rise. But there is no sign that the UK authorities have changed their strategy of allowing the foreign exchanges to set the rate.

The Federal Reserve Bank of New York and the West German Bundesbank also bought dollars yesterday in the face of widespread selling pressure set off by the continued fall in U.S. interest rates.

Lex **See Page 33**  
Money Markets **See Page 33**



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## CSI to study market raiders

BY CHRISTINE MOIR

THE COUNCIL for the Securities Industry is studying "as a matter of urgency" whether new regulations are needed to control market raiders, Mr. Patrick Neill, the chairman, said yesterday.

The definition of a market raid is the announcement of a purchaser's intention to buy a substantial block of shares at a premium over a limited period of time.

Mr. Neill's statement came a matter of hours before the sixth major market raid this year, and the third carried out by brokers Rowe and Pitman in little more than a week.

In 20 minutes after lunch, Rowe and Pitman stood in the market on behalf of Charter Consolidated, the international

Bids and deals, **Page 25**  
Takeover panel report, **Page 27**  
Lex, **Back Page**

mining group, and bought 10m shares—a 26.4 per cent stake—in Anderson Strathclyde, the coal mining equipment manufacturer, for £9.2m. This figure represented a 24 per cent premium over the market price immediately ahead of the announcement.

Earlier this year, Anglo/De Beers bought 16.5m shares in Consolidated Gold Fields by the same method. The move aroused widespread criticism because the speed of the operation effectively prevented all but professional shareholders from selling at the attractive price offered for a very limited period.

In his last report as chairman of the Takeover Panel, Lord Shawcross yesterday referred to the Gold Fields case in some detail. He highlighted the difficulties of maintaining an unfettered market while, at the same time, ensuring equal treatment for all shareholders.

The CSI was set up by the Bank of England as the City's senior self-regulatory body. Its committee which is studying the problem would "no doubt look at the proposal currently under consideration in the U.S. where purchases of over 5 per cent in a limited period of time would have to proceed by way of tender, or at the possibility of requiring partial bids," Lord Shawcross said.

The committee is expected to report to the full council with its recommendations in time for the next meeting in September.

But it is doubtful whether any definite new rule can be hammered out.

## Arrests at Isle of Grain power station picket

BY JOHN LLOYD, LABOUR CORRESPONDENT

SUSLOIDS of construction workers were driven through ranks of jeering pickets to the Isle of Grain power station in Kent yesterday as the inter-union dispute at the site worsened significantly.

About 400 General and Municipal Workers Union pickets tried to stop work at the site.

The 500 police made 37 arrests. Two pickets were slightly injured, one worker got into the plant was injured by a stone and another was later taken to hospital suffering from chest pains.

A meeting today of the unions involved in the dispute, called by Mr. Len Murray, general secretary of the TUC, to try to resolve the issue, will be boycotted by the major unions organising the construction

workers, the construction section of the Amalgamated Union of Engineering Workers and the Electrical, Electronic, Telecommunications and Plumbing Union.

Mr. John Baldwin, general secretary of the AUEW's construction section, and secretary of the National Engineering Construction Committee—the umbrella body for the construction trades unions—said he would not talk to the GMWU until it removed its pickets from the site and agreed to talks on parity of bonus payments among skilled workers—the issue at the heart of the dispute.

Mr. David Bassett, the general secretary of the GMWU, said he would attend the meeting with Mr. Frank Earl, the union's national officer, and

would ask for TUC condemnation of the AUEW and the EETPU.

Describing yesterday's events as "an outrage," Mr. Bassett said these unions had "scorned all trade union traditions by conniving with management to have the work of our members in dispute done by their members who are not time-served, experienced engineers."

About 29 trainee insulation engineers, or ladders, are at work on the site, replacing the 27 GMWU ladders who have been in dispute since last August.

Mr. Baldwin said the replacement ladders were members of a number of unions, including the AUEW, the EETPU and the GMWU. **See Page 10**

## Nurses' pay talks break down

BY PAULINE CLARK, LABOUR STAFF

PAY NEGOTIATIONS for Britain's 480,000 nurses broke down yesterday amid union warnings that "all hell will break loose" if the Government continues to insist on a 14 per cent ceiling.

In a last-ditch attempt to avoid a pay battle which could lead to industrial action, the nurses' leaders called on the Prime Minister to intervene.

The unions are incensed by the management's refusal to allow an increase above the 14 per cent cash limits ceiling in spite of the recent 18.7 per cent pay award to doctors. They had previously been negotiating for a settlement within the 14 per cent ceiling—but only on condition that the ceiling applied throughout the health service.

Mr. David Williams, assistant general secretary in the Confederation of Health Service Employees (which represents 120,000 nurses) and chairman of

the Whitley Council's staff side said yesterday that industrial action by nurses could not be ruled out in the face of Government intransigence.

Any such action could be joined for the first time by the 140,000-strong Royal College of Nursing. This normally moderate union decided at its annual conference last week to ballot members on a proposal to change its constitution to allow industrial action because



## EUROPEAN NEWS

BITTER CAMPAIGN FOR VOTE THAT WILL AFFECT GOVERNMENT'S FATE

## Economy dominates Italian polls

BY RUPERT CORNWALL IN ROME

FOREIGN POLICY, and the increasingly critical state of the economy have emerged as the major issues in the unusually bitter campaign for the regional elections of June 8, which will heavily condition the fate of the present government of Sig. Francesco Cossiga.

The intensity of the accusations exchanged between the three major parties—Christian Democrats, Socialists, and Communists—reflects the collapse of the fragile understanding built up between 1976 and 1979 between the Christian Democrats and Communists.

The overriding "national" character of the vote has been underlined by the acrimonious attacks of the Communists, not only on the new, less compromising, Christian Democrat leadership, but also on the Socialists.

Relations between the two major parties of the Italian

Left have reached their lowest point in months. This is despite the fact that the survival of several Left-wing regional administrations after the vote on Sunday week will depend on a fresh alliance at local level between Socialists and Communists.

However, such considerations are secondary to the importance for the Communists of showing that their loss of electoral support, apparent at last year's general and European elections, has now been stopped, if not reversed.

Whether this is likely to happen is not clear. But an increase in the Communist vote at the expense of the Christian Democrats, Socialists and Republicans—the other party in Sig. Cossiga's coalition—would amount, in Italian terms, to a vote of no confidence in the present government. Equally, it would reinforce the Communists' contention that without

them the country is ungovernable—and their demand to be included in an emergency administration to tackle Italy's ever more evident economic problems.

Last week's warnings from Sig. Filippo Maria Pandolfi on the gathering payments crisis, and the threat posed to the lira, have concentrated fresh opposition criticism on the lack of government action to control inflation and boost the competitiveness of industry. Important indications may come at the Bank of Italy's annual meeting this Saturday, but no firm action—even the rise in petrol prices now thought to be inevitable—may be expected until after the election.

Meanwhile the Christian Democrats are concentrating their fire on what they claim to be the failure of Communist-led regional governments, installed in 1975, to

live up to the promises made at the last regional polls.

Of crucial importance will be the performance of the Socialists, whose rebellious left wing strongly opposed entry into the new Government. A gain for the Socialists over the 9.3 per cent won in the June 1979 general election would be a vindication of the decision by Sig. Bettino Craxi, Socialist leader, to enter government. But a further drop would produce powerful pressure for him to pull out, and thus automatically bring Sig. Cossiga down.

At the same time the split between the Communists and the Government has been underlined by foreign policy disputes, where the Communists and the Left condemned both the imposition of sanctions on Iran, and the Government's decision to send official Italian teams to the Moscow Olympic Games.

## Dutch trade deficit doubles

By Charles Batchelor in Amsterdam

THE Netherlands' foreign trade deficit nearly doubled in the first few months of the year while unemployment remained at disturbingly high levels, according to the latest official figures.

The trade deficit rose to F178m (\$122m) in the first three months of 1980 from F138m in the same period last year, according to provisional Central Statistics Office figures. Exports rose by 23 per cent to F138.45m (\$79.9m) but imports rose by 29 per cent to F193.24m.

The poor performance in March accounted for most of the worsening of the country's trade position. The deficit rose nearly threefold to F178m from F124m with exports 20 per cent higher at F113.2m and imports 24 per cent higher at F144.05m.

The seasonally adjusted unemployment figure rose by 7,000 during April to 218,000, and although the actual number of jobless fell slightly, this decrease was considerably lower than normal at this time of year.

The unemployed amounted to 5.1 per cent of the working population compared with 4.8 per cent in April 1979. The seasonally corrected number of vacancies also rose during the 12 months to the end of April by 5,200 to 66,900.

The main reason for the April increase in unemployment was the depressed state of the building industry, where the jobless total rose 13 per cent compared with the 37 per cent average. High interest rates have sharply reduced housing demand in recent months.

## Community expects to import 10% more coal this year

BY JOHN WYLES IN BRUSSELS

COAL IMPORTS into the EEC are expected to rise by slightly more than 10 per cent this year, according to the latest forecasts from the European Commission which point, however, to a slight overall drop in Community coal consumption in 1980.

The predicted rise in imports follows a 30 per cent increase in 1979 when South Africa overtook Poland as the principal supplier of coal to the Community. The Commission says that last year's 11m tonnes rise in imports to a total of 59m tonnes reflected booming demand for steam coal for electricity generation and coking coal for the Community's steel industry.

But Community-produced coal, overwhelmingly from the UK and West Germany, shared in the 10.4 per cent rise in coal consumption for electricity generation which rose from 160m tonnes to 178m tonnes. While imports provided 5.5m to 6m tonnes of the extra consumption, a further 5m tonnes came from EEC mines.

The expected rise in imports

this year will be due largely to demand by French power stations and a number of other non-coal-producing member states. British and West German production is expected to continue to cover an overwhelming share of the two home markets, while Belgian and French coal industries will continue to see a drop in their share of their home markets. The growth in demand for coal in Belgium and France and the other non-coal-producing member states will be met by rising imports.

These figures are contained in a report on the Community coal market by Herr Guido Brunner, the EEC Commissioner for Energy. He predicts a modest 0.1 per cent fall in Community-wide consumption in 1980 to 308.2m tonnes, partly because coal use in electricity generation looks likely to level off and partly because coal use in gas production will fall sharply. Coal production in the EEC will be marginally higher than last year at 238.6m tonnes, says the Commission.

## Esso's \$500m gas project

BY MARTIN DICKSON

ESSO IS to build a \$500m pilot plant at Rotterdam's Europoort to convert coal into methane gas.

The investment by the world's largest oil company is a significant step forward in the development of substitute natural gas, which is expected to become an important alternative to natural gas during the next 20 years.

Esso said yesterday that its Rotterdam plant would convert 100 tons of coal a day into methane and would probably start production in mid-1985.

The company estimates that it will need three years' operating experience before proceeding with the development of commercial-sized synthetic gas plants.

## French 'in EEC farm price trap'

By Margaret Van Hattem in Brussels

FRENCH Government threats to bypass a British block on this year's EEC farm price review by paying national aids to its farmers promise an unpleasant start to today's Farm Council meeting in Brussels.

Some countries sympathise with the French desire to unblock farm payments but no-one wants to see them drive a bulldozer through Community rules. Many feel the French are caught in a trap of their own making.

With little prospect of a snap solution, this week's on Britain's demands for a cut in its payments to the EEC budget, France's decision to link the budget dispute to a farm price settlement is starting to backfire.

The French Government has promised its increasingly militant farmers that they will receive from next month, the higher EEC support prices agreed by all member states except Britain in Luxembourg last April.

The British Government has signalled that it too will accept most of the Luxembourg package—including a 5 per cent average farm price rise and virtual abandonment of plans to curb the costly dairy subsidies—only when the other countries come up with a satisfactory budget offer.

It is widely felt that the French do not wish to sabotage any emerging budget deal by precipitate action on farm prices, and that their threat to introduce national measures is mainly an attempt to step up pressure on the British.

## Support farmers

The French have said that if no agreement is reached this week, they will support their farmers with rebates on value added tax, special subsidies for young farmers, payments for sucking cows and subsidies in the fruit and vegetable sector.

Should the European Commission decide, on closer examination of the details, that these measures do not violate EEC rules, the other member states will be able to do little other than to express their displeasure.

But this is likely to be widespread. For the other countries would then come under pressure from their own farmers to pay similar subsidies out of national funds. Poorer countries such as Italy and Ireland feel they could not afford this and richer countries, such as Germany and the Netherlands, resent the attempt to bypass normal council procedures.

If, on the other hand, the Commission considers that the French measures do violate EEC rules, France cannot proceed legally without a unanimous vote of support from the council—something the British would certainly veto.

The French, already in defiance of the European Court of Justice over their illegal curbs on British lamb imports, might be tempted to press on regardless, knowing that it would take several months for the resulting legal procedures to take their course.

But, it is felt, they would do this only as a last resort. Commission officials suggest that the French Government does not wish to lose face before its farmers and expose itself to the inevitable jeers of M. Jacques Chirac, the Gaullist leader, by legally destroying the machinery of the Common Agricultural Policy.

## Explosive issue

Consequently, it is suggested that M. Pierre Malengret, the French Minister, will be under pressure from the other Ministers to hold back. The other explosive issue on the council's agenda concerns the inclusion of lamb and mutton in the CAP. The French, supported by the Irish, won reluctant support from all members except Britain at the Luxembourg meeting for proposals to support high lamb prices with intervention buying. They also hope to win support for subsidies on exports of EEC lamb to third countries.

The British have long resisted these proposals because, although they would not cost a great deal initially, they are felt to be unnecessary and would be greatly resented by competing producers such as New Zealand.

Intensive lobbying in EEC capitals in the past fortnight by the New Zealanders may have weakened support for the French on this point but it is widely felt that the British may have to give some ground.

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## Defence row threat over Giscardian report

BY ROBERT MAUTHNER IN PARIS

A REPORT published yesterday by the defence committee of the centrist UDF party in France, grouping President Giscard d'Estaing's supporters in Parliament, threatens to stir up the old quarrel between supporters and opponents of the Atlantic alliance in France.

While not going as far as to propose French reintegration in NATO's joint military command, from which it withdrew under General de Gaulle in 1966, the report adopts a firm Atlanticist stand, which is calculated to upset the Gaullists (RPR) and Communist parties.

The Giscardians advocate the arming of French forces with a panoply of tactical nuclear

weapons, including the neutron bomb, so as to raise the threshold at which strategic nuclear weapons would be used.

It is not yet clear whether the Government will openly approve the report. But it is certainly in line with the new military strategy, first outlined by President Giscard four years ago, when he said that French forces must be prepared to fight at the side of their allies in the event of an attack on Western Europe's eastern borders.

Up to 1976, the official defence doctrine did not provide for anything less than a full-scale nuclear war in Europe. France's strategic nuclear weapons were to be employed

when the security of its own territory was threatened.

The UDF report on the other hand, rejects the so-called "French fortress" doctrine, stating that the defence of France is inseparable from that of Western Europe as a whole, "within a solid alliance, which requires the participation of the U.S."

The security of France would be at stake as soon as hostilities broke out in Europe, it adds. There must therefore be no doubt about France's involvement, even though the final decision to use French forces and nuclear weapons must remain with the French Government.

In the event of a conflict, the French armed forces would form a particularly valuable reserve for NATO and the conditions of their participation in any European battle must be better defined in co-operation with France's allies.

Not least the report, in effect, approves NATO's strategy of "flexible response," which it considers to be a more realistic doctrine than that of massive nuclear retaliation. Only a large number of tactical nuclear weapons, such as the neutron bomb, could provide an effective counterweight to the enormous superiority in conventional weapons of the potential enemy, it stresses.

## Offshore oil search by French

By Terry Dodsworth in Paris

FRANCE'S TWO State-controlled oil companies, Compagnie Française des Pétroles (CFP) and Elf Aquitaine, have been given the go-ahead for a FFr 16m (£1.6m) seismic offshore exploration effort in the deeper regions of the French Mediterranean.

The exploration programme, which will cover about 80,000 sq km in French waters over a period of two years, comes as part of the current government drive to increase energy production from home-based sources wherever possible.

Some viable, though small, oil strikes have recently been made in the south-west of France, and Elf, which has strong links with this part of the country, has also announced a FFr 1.3bn drilling project on 45 trial wells in Aquitaine. CFP, however, has had less success in the region.

In a separate energy development yesterday, Cognac, the French nuclear company, announced a new uranium discovery in the south-west of the country. Cognac said that the estimated reserves amounted to some 20,000 tonnes, or about one-fifth of the present uranium resources of France.

## WEST GERMAN BROADCASTING

## Political squabbles threaten a careful balance

BY ELGIN SCHOEDER IN BONN

MAJOR CHANGES in the West German media scene could result from a ruling expected today from the Federal Administrative Court in Berlin.

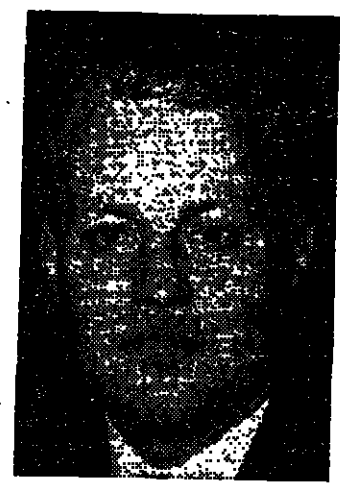
Immediately at issue is the future of Norddeutsche Rundfunk (NDR)—North German Radio—the country's second largest network. So far NDR has been run jointly by three of the Laender, the German Federal States. But political squabbling between two of the states—run by Christian Democrat (CDU) governments—and the third, run by the Social Democrats (SPD), could well mean the end of NDR in its present form. One of its three owners, Schleswig-Holstein, is trying to break it up.

Beyond the NDR issue, many Germans, including Chancellor Helmut Schmidt, fear that the court's verdict may herald the beginning of the end of the country's present broadcasting system which, they say, has proved its worth over the past 30 years.

The system was established after the war with the kind of independence the BBC enjoys as its model. To make sure that broadcasting would never again be taken over by the state, it was during the Nazi

era, the Laender were made solely responsible for the broadcasting networks. Nine regional stations were set up, run by public-sector bodies made up of representatives of all "socially relevant" groups such as the political parties, the churches and the trade unions. These nine stations subsequently formed ARD, West Germany's first television channel. During the day this broadcasts separate regional programmes, but in the evening the stations contribute to a joint effort. In 1963 ZDF, the second channel, was founded—also in the form of a public corporation—representing all the Laender. This channel televises a single programme for the whole of Germany.

But from the start, the political parties jockeyed for more influence in the bodies managing and supervising the networks. The opinion-forming power of the broadcast word was the great lure. Soon, the CDU, then in power at Federal level in Bonn, began to complain that the SPD was exercising too great an influence on broadcasting, and that radio and television was "leaning" too far to the political left. Dr. Konrad Adenauer, the first Federal



Herr Stoltenberg; ran out of patience.

Chancellor, became convinced that biased reporting had lost him his absolute majority in 1961.

These memories loom behind the current battle over the future of NDR. Schleswig-Holstein and Lower Saxony—both CDU-controlled—have long deplored and heavily attacked what they believe to be slanted left-wing programming propagated by SPD-run Hamburg.

In June 1978, Herr Gerhard Stoltenberg, the State Premier

of Schleswig-Holstein, finally lost his patience and gave notice that he wished to cancel the radio contract concluded between the three states. Initially, he only wanted, as he put it, to "neutralise" the one-sided programmes ruled by monotonous Marxism, to stop the network's "financial mismanagement" and to extend regional (i.e. Schleswig-Holstein) broadcasting.

But meanwhile Herr Ernst Albrecht, the Lower Saxony State Premier, was firmly determined to use this chance to provide an alternative to the publicly-owned channels by introducing privately run, commercial stations, which would give him pleasure. Herr Albrecht admitted, "to reshape the whole German broadcasting system through NDR."

Social Democrat reaction was strong. Herr Schmidt spoke of "dangers more acute than those connected with nuclear energy" if commercial television were to come in. He warned that too much telly-watching could destroy family life and that West German political standards—widely judged to be among the highest in the world—would inevitably be lowered. This, he said, was

clearly demonstrated by the poor quality of Italian and U.S. television.

The advent of the so-called new media—including cable and satellite television—thought inevitable by experts of every political persuasion, pains the Chancellor. Herr Schmidt feels that the "proven system" has enough to offer everybody. Only last year, he stopped Post Office plans to lay cables in 11 West German cities to prepare for possible trial runs of private stations on the grounds that this would prejudice the commercial TV issue.

The Bonn Government is also trying to block Radio Luxembourg's plans to broadcast its commercially-orientated programme via satellite into every German living room.

The Berlin court meeting today will now—albeit indirectly—either protect this monopoly or open the door to rival networks which, in the eyes of the CDU would guarantee "healthy diversity of opinion." The five judges have to decide whether NDR will be dissolved by the end of the year, or whether Schleswig-Holstein alone—as the State which gave notice on the contract—will now go its own way. Lower Saxony and Schleswig-

Holstein seem confident that the NDR will be dissolved. The Premiers of both states have already signed a provisional radio contract excluding Hamburg, but including private broadcasting companies.

The SPD also appears to be reckoning with a dissolution. At its request, two legal experts have examined the issue and concluded that the contract could lead to an infringement of radio freedom. On the basis of this the SPD then announced that it would appeal to the Karlsruhe Constitutional Court if a two-Lander channel should be formed.

If NDR really does break up, ARD, the first TV channel which has carefully to balance the interests of nine regional stations, will be deeply affected. Not only does NDR contribute 19 per cent of the channel's programme—including the 8 o'clock news and the 10 o'clock news comments—it also provides for its licence income roughly DM 21m (£5m) annually for the needs of smaller and therefore poorer stations.

Beyond that, the dissolution of NDR could start a chain reaction from which no German network would escape unscathed.

## Zaire lays \$1bn investment plan before Western aid donors

BY MICHAEL HOLMAN, RECENTLY IN KINSHASA

FOR THE fourth time in two years the consultative Group on Zaire meets in Paris today to discuss the affairs of Africa's debt-ridden giant.

Under the chairmanship of the World Bank, 11 countries, including Belgium, France, Britain and the United States as well as several international agencies, will review a three-year public investment programme prepared by the Zaire Government, covering agriculture, transport, energy, industry and mining. The massive document, entitled "Plan Mobutu" with the egocentricity that marks the country's President, has undergone several revisions.

However, the end result, calling for more than \$1bn worth of investment, is generally regarded as a sound framework for the recovery of an economy hit by a combination of low copper prices, mismanagement, corruption and inefficiency, leaving it incapable of servicing an external debt which, with arrears, exceeds \$4bn.

Whether the current administration is capable of attracting investment on such a large scale, or of using effectively such aid as it does receive, is open to doubt. Past efforts suggest that donors are prepared to do little more than keep Zaire's economy ticking over.

The consultative group first met in June 1978 to discuss emergency short-term aid following the May invasion by Angola-based rebels of Shaba Province, source of copper and cobalt exports which provide three-quarters of foreign exchange earnings.

But it had long been apparent that far-reaching reforms were urgently needed and, in November 1978, the same group met to examine proposals for economic and financial stabilisation, including measures affecting the bank of Zaire and Ministry of Finance, as well as humanitarian needs. Donors pledged some \$225m, of which \$15m was disbursed in 1979.

The third session was held last November after the adoption of a stabilisation pro-

gramme, agreed with the International Monetary Fund, to cover the 18 months from July 1, 1979 to December 31, 1980. It called for a reduction in the budget deficit to Zaires 350m (\$50m) cuts in domestic credit, further devaluations of the Zaire (which over the past two years has been devalued in stages by nearly 80 per cent), tighter control of foreign exchange dealings and a pledge to reduce external payments arrears while limiting new government borrowings. As a result, in August 1979 the IMF approved a standby facility of SDR1.139m over 18 months and a trust fund loan of SDR 50m.

At the November meeting, Zaire requested \$300m of commodity assistance for 1980 and secured pledges of \$180-\$200m. But an early draft of the Plan Mobutu was in effect, sent back for revision.

However, although the plan may now prove acceptable in technical terms, little has happened to reassure friendly governments about economic and political conditions, or to convince them to help Zaire narrow a balance of payments deficit for 1980 estimated at over \$400m.

Conversation among diplomats and economists about Zaire tends to take on an almost ritualistic form. It begins with a catalogue of ills, invariably refers to the country's "huge potential" and concludes with speculation about the survival of a President widely regarded as corrupt and authoritarian.

From the man in the street comes an almost unmitigated tale of woe. Indication, which in

recent years has reached 100 per cent a year, has been reduced to 40-50 per cent over the past four months, but wages are being eroded at an intolerable level still. Hospitals lack medicines, schools are short of books, crime in the cities is rampant, and low agricultural prices and a derelict transport system discourage farmers.

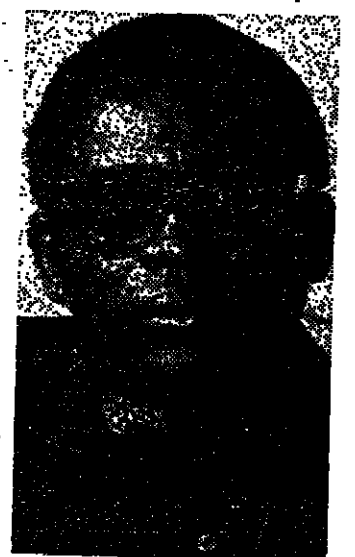
Copper production fell to 370,000 tons last year (471,000 in 1974) though cobalt kept up at 12,500 tons. But coffee, the main agricultural export, fell to 70,000 tons (94,000 in 1978), while palm oil products, rubber and tea have also fallen.

Government surveys show that approximately 70 per cent of installed production capacity is idle as a result of shortages of necessary imports—a reflection of the fact that in 1978 imports by volume were half the 1974 level. Yet a declining agricultural sector has meant that over the past five years an average of 18 per cent of imports are food—though the country was self-sufficient in foodstuffs at independence in 1960.

Coffee, gold, diamonds and ivory are still smuggled out on a massive scale.

Two recent events sent a frisson of horror through many expatriates, who feared they might trigger unrest in the Cité where most of Kinshasa's 2m-3m people live in appalling conditions.

The first took place between Christmas and New Year, when all five and ten Zaire notes were withdrawn and replaced by a limited number of newly designed notes. It turned out to be an exercise riddled by cor-



President Mobutu: strong expatriate support.

ruption. Big businessmen were often able to bribe their way round the restrictions, at the cost of people in the countryside where new notes were often not available.

One diplomat estimates that three quarters of the people in the interior have had savings wiped out and in some areas people have been reduced to barters. In Kinshasa itself queues stretched for blocks and when the deadline expired many were still holding worthless old notes. But nothing happened.

In the second event, university students in Kinshasa last month demonstrated about conditions, including the level of their grants. Their demands were refused, several cars were

burnt, and the French-trained 31st Battalion rounded up the protesters. The university is now closed to the 6,000 students until October, except for those taking finals. Again, the unrest did not spread.

Yet it might be said that much has been done to prepare for the period following the stabilisation programme. Zaire reached an agreement in November, finalised in Paris last month, on rescheduling of private bank debt. This was followed by agreement with the Paris Club governments on rescheduling of \$1.3bn of Zaire's government guaranteed debt.

These measures had taken place against a background of increasing expatriate control—at least in theory. It included the installation towards the end of 1978 of a Deputy Governor and five technical advisers—all proposed by the IMF—at the Bank of Zaire. A Controller General, proposed by the United Nations Development Programme, is now in the Ministry of Finance, assisted by a team of experts. A newly created Office of Customs and Duties is staffed by Belgians, and the French control a Central Pay Directorate.

Further, the tangled nature of external debts has been sorted out, the management of some state companies has been reformed and the budget came out in January rather than mid-year as before.

Yet doubts and questions about the effectiveness of this array of foreigners. Perhaps most disquieting was the failure of Zaire to fulfil the IMF terms, with a 1979 budget

deficit of Zaire 561m soaring above the Zaire 350m target, forcing a suspension of drawings and a review of 1980 targets. Meanwhile, President Mobutu survives, but partly thanks to a powerful expatriate presence in his army.

He frequently reshuffles his Cabinet—13 Ministers were sacked in January—to cut away the bases of would-be successors. Eastward opponents, such as Manuella Masamba, now Minister of Tourism, are shrewdly brought into government. The 272-member Legislative Council makes good use of its yearly opportunity to cross-question Ministers but it was notable that the Bank of Zaire governor was not among them. And although members are more outspoken than in recent years they are not regarded as a real threat to the President.

Some observers feel President Mobutu's room for manoeuvre has run out. He has accepted, they believe, that economic reform is imperative if Zaire is to receive aid on the scale envisaged in the plan. "We have got the Government over a barrel economically," maintains one economist. The test of this assertion will be whether Zaire will this year provide the \$470m due in debt servicing—representing some 35 per cent of exports, double the annual amount paid out in the past last year. Most observers in Kinshasa, however, believe that the saga of broken rescheduling terms and failed stabilisation plans is far from over.

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## OVERSEAS NEWS

# Confident Obote in emotional return to Uganda

By MICHAEL HOLMAN IN BUSHENYI, UGANDA

DR. MILTON OBOTE, the former Ugandan President, returned home yesterday after a nine-year exile, kissed the earth of a remote airstrip, and launched his campaign to recover the office he lost to Idi Amin in 1971.

His return marks an event virtually without precedent in Africa. Other deposed leaders have either been killed during their country's coups or are in exile as outcasts with no support and no chance of return. As Dr. Obote stepped off the Tanzanian Air Force Buffalo transporter which had brought him from the Tanzanian capital of Dar es Salaam—where he had lived as a beachside neighbour of President Julius Nyerere—he knelt and kissed the dusty airstrip at Mbarara, in south-west Uganda.

There were emotional scenes as Dr. Obote embraced old friends and political comrades. But the veteran Ugandan leader, with his hair combed back and up in characteristic style, lost no time in reasserting his political presence. In an 18-page prepared address to a 10,000-strong rally here in Bushenyi, 40 miles from Mbarara, he pledged that if his Uganda People's Congress came back to power it would end corruption, restore law and order, and bring about the reconstruction of the economy. He also asserted that there would be no nationalisation.

A general election is scheduled in Uganda before the end of the year. Technically Dr. Obote still has to secure the Presidential nomination of his party, which he led during his eight years in office, but the confident tone of his address suggests that he has few doubts that the nomination is his.

Dr. Obote's future is far from secure, however. He faces opposition from prominent individuals within the party, his unpopularity among the majority Buganda tribes is a severe handicap and he could well be challenged in an election by members of the present six-man ruling military commission—possibly the former Defence Minister, Mr. Yoweri Museveni, or his associate, Mr. Paulo Mwanga, chairman of the commission.

Dr. Obote was nevertheless accorded the trappings yesterday that usually surround heads of state. The Tanzanian Government sent a delegation in an Air Force plane, and over 300 Tanzanian troops from among the 11,000 still in the country fanned out around the airstrip. At a clearing near the little town, surrounded by eucalyptus trees, an immaculately turned-out Ugandan police band played a selection of tunes. Armed Tanzanian soldiers were responsible for tight security, leaving the blue-uniformed Ugandan policemen to do little more than direct traffic.

Dr. Obote lashed the performance of the post-Amin administration of Professor Yusufu Lule and Godfrey Binaisa. He dismissed as "malicious propaganda" suggestions that he had little support among the Buganda people, Uganda's largest tribe which resents Dr. Obote's dismantlement of their powerful kingdom. He will put his popularity to the test next week when he is expected to address a rally in Kampala, a Buganda stronghold.

## Iran bid to strengthen Premier's powers

By Andrew Whitely in Tehran

ON THE EVE of today's opening of Iran's post-revolution Parliament, the leader of the hard-line Islamic Republican Party (IRP) has made a strong bid for the new Prime Minister rather than the President to be considered as the country's chief executive.

The surprise announcement is yet another move in the long-running contest for power between Mr. Abol Hassan Bani-Sadr, the President, and the militant clergy led by Ayatollah Beheshti of the IRP.

The question of the powers of the Prime Minister, who under the constitution is chosen by the President and approved by Parliament, is scheduled as the first substantive matter of discussion for the 270 parliamentarians. Earlier Mr. Bani-Sadr's attempt to set up a provisional government before the opening of Parliament was followed by the IRP.

After lengthy negotiations behind the scenes the rival camps are reported to have agreed on Mr. Hassan Habibi, the Revolutionary Council's spokesman, as a compromise premier, though some politicians have cast doubt on whether he will eventually be approved.

William Dunford reports from Stockholm: The three European Socialist leaders' visit to Tehran could have contributed to solving the issue of the American hostages by demonstrating that the rest of the world took a positive interest in Iran and its revolution.

Mr. Olof Palme, the Swedish Social Democrat leader, said on his return to Stockholm yesterday, martial authorities immediately began restoring life to normal. They announced that only the most radical of the 200 insurgents detained would be prosecuted. The President also set up a committee headed by the Prime Minister to oversee rehabilitation of the Kwangju area.

The return of government authority to the South Cholla provincial capital brought an end to unrest throughout the province that followed the arrest of the local political leader, Kim Dae Jung, on May 17.

## Begin considers hard-line reshuffle

By DAVID LENNON IN TEL AVIV

MR. MENAHEM BEGIN, the Israeli Prime Minister, is considering a Cabinet reshuffle which would transfer the hard-line Foreign Minister, Mr. Yitzhak Shamir, to the Defence portfolio to replace the more moderate Mr. Ezer Weizman who resigned this week.

The Prime Minister's office would not confirm Israel radio reports that the reshuffle would bring the hard-line Energy Minister, Mr. Yitzhak Modai, into the Foreign Ministry. But it was acknowledged that Mr. Begin wants to fill the vacant Defence Ministry portfolio as soon as possible and may announce his decision to the Knesset on Thursday.

The reshuffle would leave the hardliners more firmly in command in the Cabinet, and is bound to make even more remote the prospects for successfully concluding the cur-

rently stalled Palestinian autonomy negotiations with Egypt.

The appointments, if confirmed, would serve to underline the accusation by Mr. Weizman in a resignation letter to Mr. Begin that the Government was stalling in the peace negotiations. In a harsh reply to that accusation, Mr. Begin charged the outgoing Defence Minister with overweening ambition to become Prime Minister.

At the same time the appointments could defuse the Cabinet crisis, which undoubtedly would have arisen if the Prime Minister was to appoint his favourite candidate Mr. Ariel Sharon, the Minister of Agriculture, to the defence post. Mr. Sharon has threatened to resign if he is not awarded the Defence portfolio.

Mr. Begin has obviously decided to move with speed to replace Mr. Weizman in order to lessen the impact of the resignation of the popular Defence Minister. By filling the vacant post as rapidly as possible, he clearly intends to signal that as far as he and the coalition are concerned the loss of Mr. Weizman does not create any major problems.

It would also emphasise Mr. Weizman's relative lack of skill in domestic political in-fighting. Rather than bring down the Government as he had hoped, Mr. Weizman has been forced into the political wilderness by the more virile Mr. Begin.

Mr. Weizman's absence will be felt most strongly in both the negotiations with Egypt and the international image of the Israeli Government.

As the most moderate of the "hawks" within the Government, Mr. Weizman lent a note of reasonableness to

the official Israeli attitude in the autonomy negotiations. In their conduct Mr. Begin and other senior ministers appear to be more divorced from reality.

The Egyptians found Mr. Weizman a person with whom it was possible to have a sensible, practical discussion of the issues. He is in their view a man able to adjust his "Greater Land of Israel" ideology to the changing realities created by the peace initiative of President Sadat.

Mr. Shamir—and for that matter Mr. Sharon—shares the views of Mr. Begin and the Cabinet majority. This makes it even more difficult to envisage any possibility of reaching a compromise on the future of the occupied West Bank and Gaza Strip without a replacement of the current Israeli Government.

Although Dr. Abdel Meguid said that the banks had welcomed the move, not all of them were represented when the initial discussions were held last week.

There are some 18 branches of foreign banks working in Egypt, four joint-stock banks that are allowed to deal in foreign currencies, 13 Egyptian-controlled banks that can deal in both foreign and local currencies, plus the Arab African International Bank and the Arab International Bank that are pure offshore operations and outside Egyptian law.

Some foreign banks have been criticised in the past for not involving themselves more fully in development projects. The arguments are particularly directed against those whom the authorities considered to be under-ent and were at the same time recording steadily increasing profits.

SAUDI ARABIA is reported to have embarked on a new Middle East initiative to replace the deadlocked Palestinian autonomy negotiations between Egypt and Israel.

Arab diplomats said the oil-rich kingdom is working on the matter behind the scenes with the U.S. King Hussein of Jordan and King Hassan of Morocco.

The diplomats were commenting on statements made by Crown Prince Fahd and his second-in-command, Prince Abdullah, in separate interviews with the Washington Post.

Prince Fahd was quoted as saying his Government will use its influence to persuade concerned Arab countries and

the Palestinians to agree to peace with Israel if the latter would promise to withdraw from occupied Arab territory.

Prince Fahd was this week on a visit to Morocco and will later be going to Algeria.

Prince Abdullah—who is the country's second Deputy Prime Minister, commander of the national guard and the third in line to the throne after King Khalid and Prince Fahd—said Israel could have peace in exchange for a Palestinian state.

The Saudi statements have drawn strong condemnation from two hardline guerrilla groups, the Popular Front for the Liberation of Palestine and the Democratic Front for the

## S. Africa unrest spreads as clergymen are charged

By QUENTIN PEEL IN JOHANNESBURG

FIFTY-THREE leading South African clergymen were charged under the country's Riotous Assemblies Act yesterday by the boycott of classes by black and coloured (mixed race) students showed every sign of gathering renewed momentum.

Reports of widespread police detentions, and clashes between school pupils and police, came from differing parts of the country.

For the first time in the latest unrest there was a major demonstration in a rural tribal homeland. Tens of thousands of school and university students are now involved in what began as a specific protest against poor facilities in coloured schools.

There were also reports of simmering violence over a strike by some 4,000 black textile workers in Durban, where buses have been stoned.

The clergymen, including the Rt. Rev. Timothy Bavin, the Bishop of Johannesburg, were charged for staging a demonstration in Johannesburg yesterday over the detention of a leading Congregational minister, the Rev. John Thorne.

Police confirmed that 2,000 pupils were dispersed with batons when they demonstrated in Witsieshoek, capital of Qwa Qwa, South Africa's smallest homeland.

A police spokesman said 46 schools on the Cape peninsula, and 24 in the Eastern Cape were being boycotted.

## Saudis 'embark on new Middle East peace plan'

By IHSAN HIJAZI IN BEIRUT

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## S. Korea troops retake Kwangju

By RON RICHARDSON IN SEOUL

THE South Korean army regained control of the southern city of Kwangju yesterday when several thousand paratroopers, backed by tanks, moved into the city centre before first light. After a brief battle lasting an hour and a half with militant students sheltering in the provincial government offices, the army captured the building, and the 10-day insurrection was over.

The official death toll in the assault was two students and one soldier. However, eye-witnesses reported seeing many more bodies.

Only about 200 militants were left inside the Government offices when the final assault came.

Support for the militants in the city, which was initially strong enough to force the withdrawal of several thousand soldiers last week after days of rioting, fell away sharply in the last two days.

The majority of a citizen-student committee formed to negotiate with the army favoured surrendering in return for compensation for loss of life and property. After troops secured the city

yesterday, martial authorities immediately began restoring life to normal. They announced that only the most radical of the 200 insurgents detained would be prosecuted. The President also set up a committee headed by the Prime Minister to oversee rehabilitation of the Kwangju area.

The return of government authority to the South Cholla provincial capital brought an end to unrest throughout the province that followed the arrest of the local political leader, Kim Dae Jung, on May 17.

## Riots in Assam over expulsion move

By K. K. SHARMA IN NEW DELHI

INDIA'S troubled north-eastern state of Assam has been jolted by inter-community riots in the past couple of days, and matters have deteriorated sharply. Reports of serious clashes with the army and the police, resulting in several deaths, have come in from areas where Muslims are in a majority.

The eight-month-old crisis is over a demand by students for the identification and deportation of "foreigners"—mostly Bangladeshis—who have migrated to Assam for more

than three decades. The present trouble is said to have originated in areas where the so-called "foreigners" are in a majority.

The Muslims are reported to have retaliated against the Hindu agitators, forcing the army and the police to intervene to prevent clashes.

Batters became worse just at the point when talks had begun to defuse the tension. As a conciliatory gesture, some students arrested last month were released while the

authorities let it be known that they wanted to resume a dialogue with the agitators.

Now, however, the students have alleged that the "foreigners" do not seem to be in a mood to come to terms.

Mrs. Indira Gandhi, the Prime Minister, who is busy campaigning for the state elections which begin today, has called a meeting of all parties on Saturday to discuss the chances of a settlement, although this seems remote at present.

## 'We call ourselves "The Light Brigade," Mr Wagstaff...

'...but we charge very little,' said John Graham.

'As you know, when you helped us set up,' said his brother Bill, 'we deliberately kept our designs simple so that we'd have the minimum of production problems. And it's paid off. We've become very competitive, with one of the cheapest quality ranges on the domestic market.'

'So now we want to apply the same principle to industrial and office lighting,' said John. 'We've developed some prototypes that we've shown to a number of architects and builders, and the response has been fantastic. We must show you the correspondence.'

'But we've a long way to go yet,' said Bill, 'we'll have to get new premises, new equipment, more staff—the lot. We've got all our plans and proposals ready, but there are one or two critical financial areas that need your kind of light shed on them, rather than ours.'

'Well in that case,' said Mr Wagstaff, 'why don't we set up a meeting at the bank—or here if you like—and get your accountant, Jack Rogers, along and we'll all have a look at the balance sheet. Then if that's all right and you make sure you keep the domestic side of your "Light Brigade" going at a steady gallop, I should think the bank could be very interested. So here's to a bright future!'



Wagstaff's face lit up.

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## AMERICAN NEWS

## Machine tool orders fall 22%

By Jurek Martin, U.S. Editor, in Washington

ORDERS FOR machine tools in the U.S. fell by 22 per cent in April, an indication that this key industrial sector is also suffering the effects of the U.S. economic recession.

The April order book of \$415m compared with \$528.7m in March was 10 per cent under the \$418m of April last year, according to the National Machine Tool Builders Association.

The organisation also reported that its members were not expecting a fall in orders comparable to the 1974-75 recession—though with U.S. industry now only operating at about 81 per cent of capacity, some fall in the coming months was inevitable.

## More severe

Mr. Charles Schultze, chairman of the Council of Economic Advisers, admitted that the recession had turned out to be more severe than expected. He forecast unemployment rising to more than the 7½ per cent the Administration has been forecasting. At present, it stands at 7 per cent.

But he argued that what he called "corrective factors," principally the sharp decline in interest rates, had been working "at a very, very substantial pace."

## Arizona plans to keep its spaces empty

BY DAVID LASCELLES, RECENTLY IN PHOENIX

IF YOU want to know what the future holds, go to Arizona.

This, at least, is the enthusiastic view of Mr. Herman Kahn, the celebrated expert on the future who has just completed a two-year study of the state, focusing on the year 2012, its centennial. Not everyone agrees with Mr. Kahn: some think the place too hot, others complain about the political climate.

But few would deny the appeal of Mr. Kahn's basic thesis—Arizona is one of the few places left in the world where you'll find a modern civilisation in unspoilt but tameable surroundings, free from the shackles of the past. As such, he says, it marks "a post-industrial marriage between an appealing environment and new technology, where lifestyle considerations are the central principle around which society is organised."

One can see what Mr. Kahn is getting at. A few decades ago, Arizona was an empty space. About a third of it was desert, a third arable land, and the rest stunning mountain scenery, including the Grand Canyon, all bathed in blue skies and sunshine.

Today towns like Phoenix, Tucson and Yuma have sprung up, and a fast-growing economy has evolved around mining, industry and tourism, yielding its inhabitants a gross national product per head of some \$8,000. But with only 2.5m people living in an area slightly

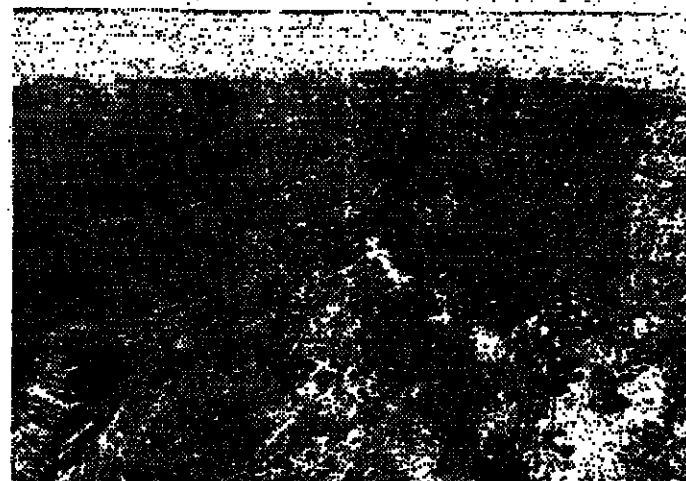
larger than the British Isles, more than 95 per cent of the state has barely been touched by human hand.

In no time, city-dwellers can reach the open desert, the hills or mighty rivers like the Colorado to indulge in sports ranging from hang gliding to surfing (on a man-made lake with wave-making machines). Exotic flora and fauna are abundant. And should all this begin to pall, the escape routes to California, Mexico and Las Vegas are excellent.

It sounds a bit like wonderland, and to some extent it is. The air-conditioned, car-borne, poolside lifestyle is strongly dependent on modern technology, plus energy and water.

The first is obviously adequate, provided it does not break down in the 100-degree-plus summer temperatures. The average urban dweller need only suffer the heat for the few seconds it takes him to hurry from his car to his home or office. All those outdoor activities take a little more fortitude, but the dryness of the heat makes it bearable.

Energy is a bigger problem. There is some hydroelectricity from the Colorado, and coal is mined in the mountains. But the main source is to be nuclear. What will be the largest atom plant in the U.S. is currently being assembled deep in the desert beyond Phoenix, where it can do little harm if it goes wrong. Obviously solar energy



The Grand Canyon is the most famous symbol of Arizona's wide-open spaces, but elsewhere the state feels threatened by unbridled development.

can play a big role too, but this has been slow in coming, because energy from other sources was so cheap in the past.

Water is the biggest problem of all. Mr. Kahn predicts there will be plenty to go around, but others disagree. The water table has fallen alarmingly, they say, and the main incremental source will have to be the already heavily-used rivers.

Actually, plenty of water reaches Arizona as rainfall, but only a small part of it can be retained in reservoirs up in the mountains. In the past five years, rainfall has been so heavy that three times water engineers

have had to release trillions of gallons from the reservoirs into the rivers. Ironically, this has flooded towns, swept away bridges and caused massive displacements to business life. Not long ago, Phoenix was cut in half by floods, and for several days one side of the city could not reach the other except by helicopter or train—the rail bridge held, unlike the road bridge next to it.

Arizona's attractions have not been lost on the rest of the country. Migrants are swarming in, creating an unemployment problem. But the state government is keen to attract new outside business—the service

industry is booming, and Arizona is now the third largest electronics centre in the U.S., after California's Silicon Valley and Boston.

Mr. Clarke Bean, chairman emeritus of the Arizona Bank, one of the state's largest, speaks admiringly of the business promotion efforts of Governor Bruce Babbitt. "He's built a lot of bridges."

But others are less sure. Mr. Gerald Trautman, chairman of Greyhound Corporation, the largest company to have moved its headquarters to Arizona, complains of political interference, and says that he is thinking of moving out again.

Another fast-growing industry is retirement. A few miles outside Phoenix, cotton-growing lands are giving way to Sun City, the largest retirement community in the U.S., with 50,000 residents. The pensioners have brought huge amounts of capital to Arizona, but they have also raised the state's average age, which worries those who tend the state's zestful image.

But Arizona will clearly have to do a lot of adjusting if it is to fulfil Mr. Kahn's expectations of it.

Its huge tourist attractions (which include transplanted London Bridge) are already creating demand for hotels, which will have to be carefully planned if the attraction is not to be destroyed in the process. Even today the Grand Canyon draws more than 3m people a

year, clogging the facilities there and forcing the authorities to ban cars and shuttles buses instead. The Kahn study also predicts that the state's population will at least treble by 2012, probably quintuple.

Meanwhile, agronomists are busy researching new crops that will use less water and free more of this precious resource for human use. Among their finds are guayule, an alternative to natural rubber, and jojoba, which produces oil.

Above all, Arizona wants to avoid the Californian and Florida experience, where unbridled growth turned fine countryside into a semi-urban wasteland, his means the state will probably have to accept a higher level of centralised planning.

But this is all part of what Mr. Kahn describes as "the Faustian risk." Arizona can plan now for a prosperous long-term future, foregoing some pleasures in the process, or it can indulge its lifestyle to the full, and sell its soul.

## Top China Minister to see Muskies

By Our Washington Correspondent

MR. GENG BIAO, the Chinese Vice-Premier and equivalent of Defence Minister, yesterday opened talks in Washington with the Carter Administration in a trip of considerable political and practical significance in terms of military support exports to China.

During his visit, Vice-Premier Geng, who is rated high in the Peking hierarchy, will also see Mr. Edmund Muskie, U.S. Secretary of State.

Vice-Premier Geng is returning the visit made to Peking in early January by Mr. Harold Brown, U.S. Defence Secretary. That mission, during which Mr. Brown said the U.S. was ready to sell China hardware with "military support applications" such as trucks and radar, constituted a marked tilt towards Peking.

Previously, the Administration had sought to maintain an even-handed attitude to the two Communist powers. But with the signing of a trade pact with China, Congressional approval in January of favourable tariff treatment for Chinese goods, and now the defence chiefs' reciprocal visits, the policy bias is clearly in Peking's favour.

As talks began this week, U.S. officials did not seem to know what military support items the Chinese might have in mind. But the U.S. has clearly stated it will not sell actual weapons to China.

## Hopes rise for Peru Embassy refugees

By Hugh O'Shaughnessy

THE FUTURE of the 455 people still inside the Peruvian Embassy in Havana and their eventual evacuation from Cuba may soon be resolved as intense diplomatic negotiations between Cuba and Peru continue.

The 455 are the last of the 10,386 who came to the embassy after the police guard was lifted last month. Many of the refugees have already left with Cuban safe conducts and have reached the U.S. Police barricades now block access to the embassy, and it is impossible to get within several blocks.

There is a continuing impasse over the evacuation of Cubans through the port of Mariel where several hundred vessels are waiting to take passengers to the U.S. Having rejected a conference with the U.S., Britain and Costa Rica, Cuba is apparently seeking bilateral talks with countries willing to take refugees.

The Cuban press is taking full advantage of the racial disturbances in Miami and warning black Cubans that if they go to the U.S., they run the risk of falling victim to the Klu Klux Klan.

The refugee question is not halting diplomatic efforts in the Third World where Cuba is actively seeking a solution to what Havana is calling "the Afghan Problem."

Cuba has made little secret of its intense embarrassment over the Soviet invasion of Afghanistan, and has been working for some international agreement on the withdrawal of Soviet troops. Cuban diplomats have been emphasising that it is unrealistic merely to demand the withdrawal of Soviet forces unconditionally and that some formula must be found under which no-one would lose too much face.

David Buchan adds from Washington: Arkansas and Florida police were yesterday rounding up stragglers from the several hundred Cuban refugees who over the weekend broke out of the Fort Chaffee and Eglin military bases, in frustration at their slow handling by U.S. immigration officials.

The refugees are still coming by boat from Cuba to Key West, Florida, much faster than they can be resettled in the U.S. Between midnight and 9 a.m. yesterday, another 1,360 arrived. Delays in the processing are thus inevitable. In both the Arkansas and Florida base "break outs" several refugees and U.S. officials were injured as meetings called to listen to Cuban grievances erupted in stone-throwing.

By early yesterday, the number of Cubans reaching Key West in the past five weeks since President Fidel Castro chose to step up the exodus rose to 82,645.

## McDonnell Douglas 'may face damages over crash'

CHICAGO — McDonnell Douglas Corporation could be held liable for punitive damages but American Airlines could not, after last year's DC10 crash here in which 273 people died, a Federal judge has ruled.

The awarding of punitive damages will still have to be determined by a trial, Judge Hubert Will said. McDonnell Douglas, which manufactures the DC10, could be assessed for punitive damages if found guilty of wilful misconduct, he added.

An earlier Federal investigation planned the major part of the blame for last year's crash on American Airlines.

Judge Will called this decision "crazy," in that "it seemed to go against the investigation's conclusions," but he said he was "compelled by the present state

of the law, which is less than ideal."

American Airlines could not be held liable for punitive damages because the law of New York State, where the airline was formerly based, prohibited such damages. Judge Will went on. American Airlines is now based in Dallas, Fort Worth.

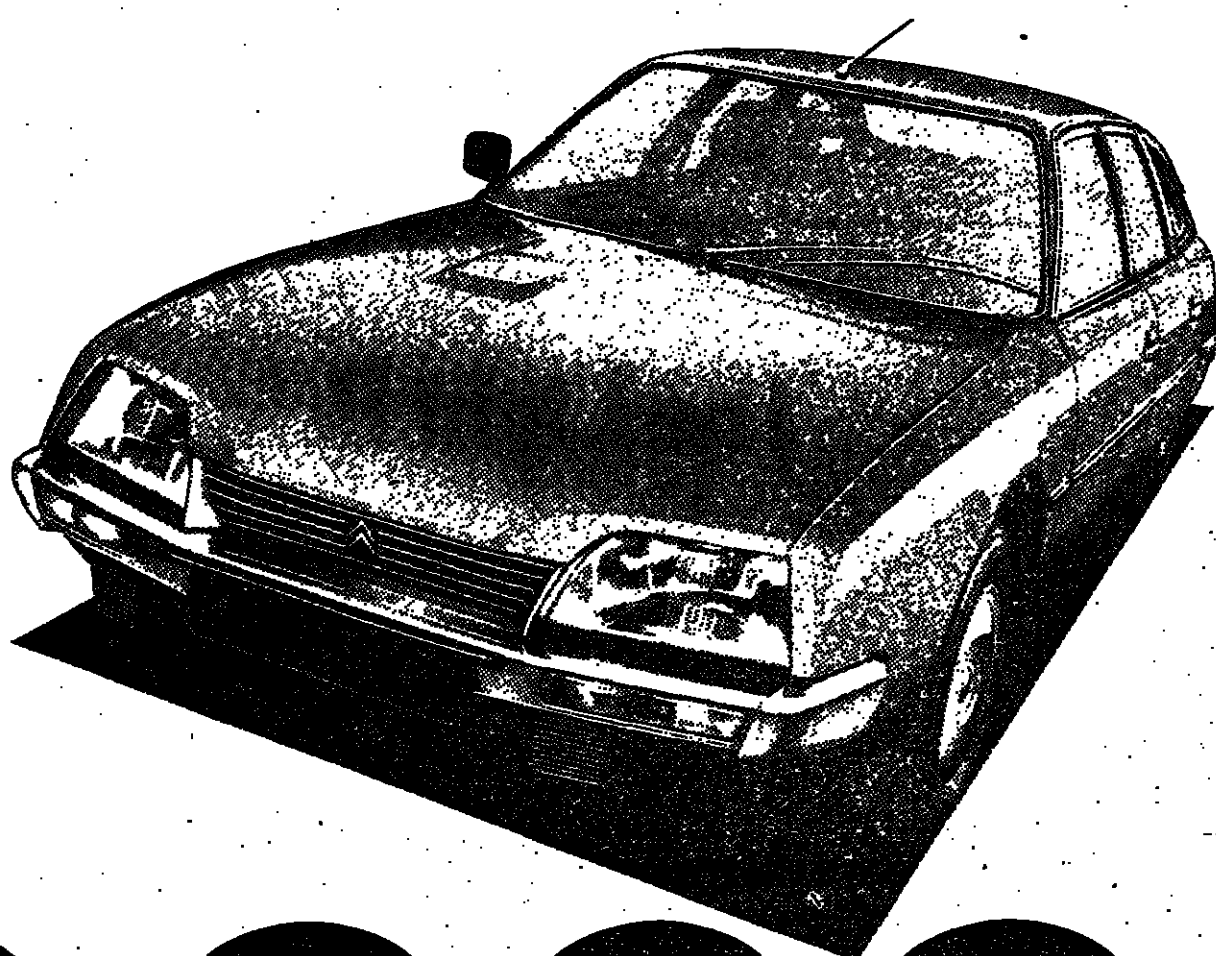
McDonnell Douglas could be sued for punitive damages under state law in Missouri, where the company is based.

Mr. John Kennelly, a lawyer for some of the victims of the crash, said an appeal was planned.

McDonnell Douglas said the judge's ruling—that in this case Missouri is allowed plaintiffs to seek punitive damages—is in error, and will be appealed against.

AP-DJ.

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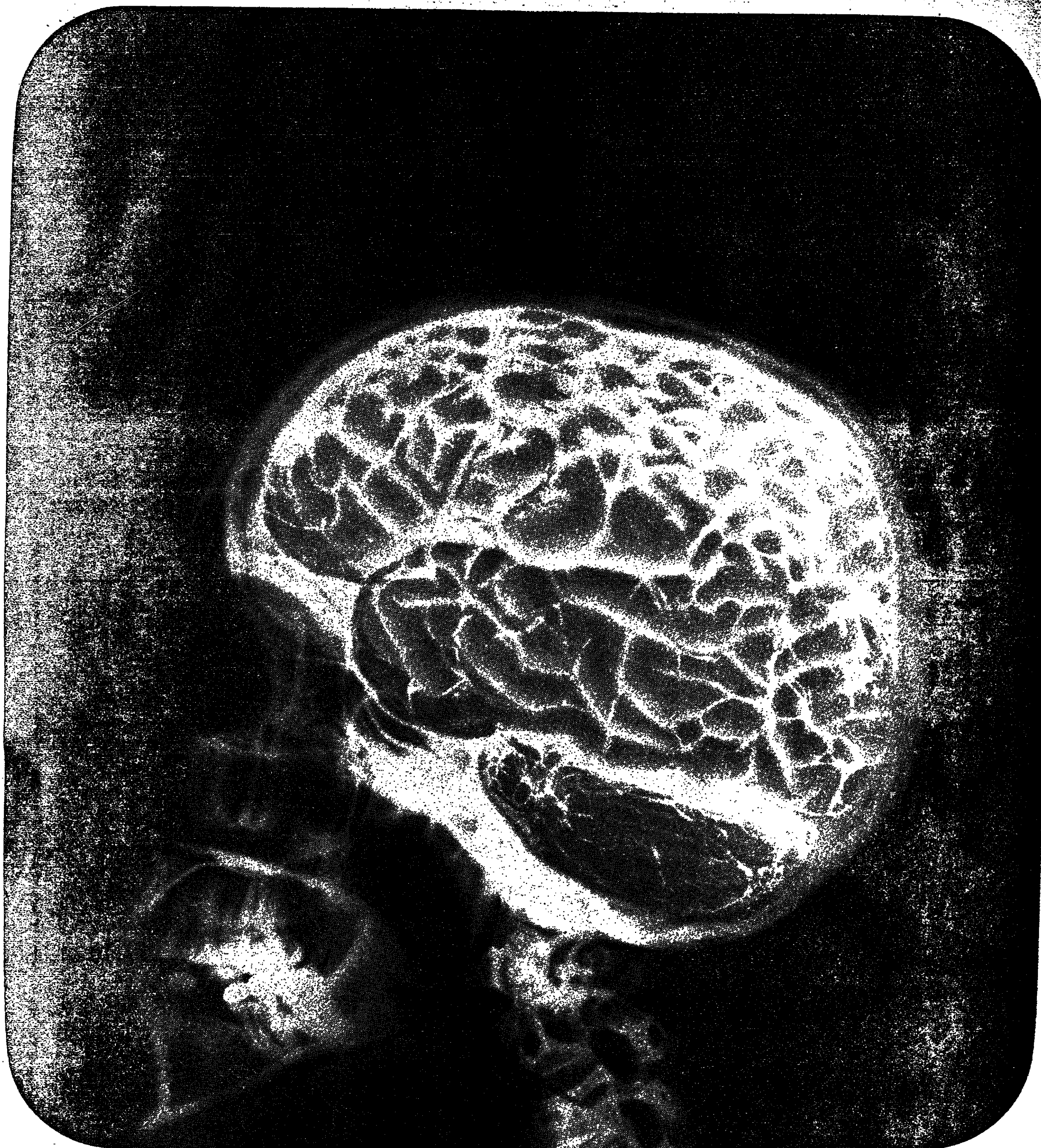
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## WORLD TRADE NEWS

## Lufthansa to order more Jumbo jets

By Roger Boyes in Bonn  
LUFTHANSA, the West German national airline, has decided to order four Boeing 747s and placed options for a further two Jumbo jets.

The company said that the new aircraft are to be supplied between September, 1981 and March 1982. With one Boeing 747 already ordered and due to be delivered in November this year, the airline will be operating a total of 15 of the 747s by the end of 1982.

Lufthansa says the new aircraft, together with the 10 Boeing 747s already in service and 11 DC-10s, will make up its long-range, wide-body fleet.

The relative newness of the Lufthansa fleet has begun to pay off both in terms of providing more flexibility in adjusting to shifts in passenger demand and in terms of fuel consumption. Nevertheless the price of oil remains a serious problem—the share of fuel in overall costs last December reached 18.5 per cent compared with 10.4 per cent in the same month of 1978.

Two of the new aircraft will have side loading cargo doors and will be able to carry 278 passengers as well as six 10-foot freight containers.

## Pemex to supply 11% of Sweden's oil needs

BY WILLIAM DULLFORCE, NORDIC EDITOR, IN STOCKHOLM

SWEDEN WILL be able to buy 3.5m tonnes of oil a year from Mexico starting from the latter part of this year, Mexican President Jose Lopez Portillo confirmed during his visit here last week. This will be the first time that Mexico has supplied oil to Sweden and will amount to roughly 11 per cent of Sweden's oil requirements.

The technical and commercial details will be worked out later this summer between Pemex, the Mexican state oil monopoly, and three Swedish oil companies—

the state-owned Svenska Petroleum, the consumers co-operative OK and Nynäs, a subsidiary of the Axel Johnson group.

One remaining problem concerns the oil with a high sulphur content which currently makes up 40 per cent of Mexico's oil exports and which Sweden cannot refine domestically.

During St. Portillo's visit the two Governments also signed a memorandum on industrial co-operation, under the umbrella of which several Swedish companies hope to expand their business in Mexico. Among the

fields listed for joint ventures are steel-making, mining, petrochemicals, shipbuilding, pulp and paper manufacturing, port development and electric power production.

LKAB, the Swedish state iron mining company, is negotiating exports of pellets to Mexico while a working group is being set up to examine the sale of the Mexican navy of fast patrol boats built by the Karlskrona shipyard.

Kevin Donegan writes from Frankfurt: Polioles, the Mexican chemicals company, owned 57

per cent by the Mexican Alfa concern and 40 per cent by BASF, the West German chemicals group, is to invest around DM 150m (£36.5m) in the construction of two plastics plants. Both will be built at Altamira in Tampico on the Gulf of Mexico coast and are expected to begin operation in 1983.

One plant will produce MDI, a chemical intermediate used in the manufacture of polystyrene, and will have a design capacity to 20,000 tonnes a year. The second plant, for the

production of polystyrene plastics will have a capacity of 35,000 tonnes a year. Production from both plants will be aimed at export markets as well as domestic consumers.

Another Mexican company in which BASF holds a 40 per cent interest, BASF Vitamins—the other 60 per cent is held by Bancomer—is spending DM 5.2m on the construction of a plant to manufacture vitamin A and E powder. The plant is aimed at meeting part of the growing Mexican need for animal feedstuffs.

## Mexico to sign 50,000 b/d treaty with Canada

BY ROBERT GIBBENS IN MONTREAL

OIL WILL be flowing from Mexico to eastern Canada at the rate of 50,000 barrels daily by the end of the year under a treaty being signed in Ottawa today. But Mexico is making no firm commitment to raise the flow to 100,000 daily and refutes suggestions of setting up an energy common market with Canada and the U.S.

The oil will begin flowing at about 10,000 b/d by October and will reach the 50,000 b/d level two months later. Canada had been hoping the Mexicans would be willing to raise the level to 100,000 b/d within a few years but it has been made

clear that further increases will have to be negotiated.

An agreement initialled more than a year ago by Mexico and Canada said both parties "agree to deploy their best efforts in order to achieve an objective of 100,000 barrels a day as soon as possible."

The 50,000 b/d represents less than 10 per cent of eastern Canada's total imports. Mexico, like Canada's other main supplier, Venezuela, insists on including a growing amount of heavy crude in its shipments. This will mean costly spending on eastern Canadian refineries receiving this oil, in order to reduce sulphur content.

In return, the Mexicans are receiving commitments to Canadian technology and a further boost to tourism. Canada would dearly like to sell Mexico the CANDU nuclear power system, and Atomic Energy of Canada is acting as consultant to the Mexican Electrical Commission on the country's overall power needs.

Mexican officials with President Jose Lopez Portillo in Ottawa stress the need for electrical transmission technology, farm development know-how, mining and metallurgical technology, telecommunications, and specialised industrial know-how. The Canadians would

further like to sell petrochemical and gas processing plants.

Observers do not expect any sudden increase in Canada-Mexico trade beyond the imminent flow of oil and rising tourism. There is strong U.S., Japanese and European competition. Two-way trade last year totalled nearly C\$500m (£184m), which was far less than the total with Venezuela and several other Latin American countries. Canada had a slight surplus but this will turn to a heavy deficit with oil imports in 1981.

Mexico has recently reduced its 42 per cent tax on the import

of foreign technology, and Canadian engineering and project management funds now say they can live with it. One major company will shortly be opening a branch on a joint venture basis in Mexico. In the long term, the capital goods field seems most encouraging for Canadian companies because of heavy investment in Mexico the total Canadian investment in Mexico, on a book value, is about \$250m, mostly in the mining industry. This represents about 2 per cent of total foreign investment in the country, but the Mexican 51 per cent ownership rule makes an increase unlikely.

## Mexicans may raise level of crude shipments to Japan

BY RICHARD C. HANSON IN TOKYO

JAPAN HAS stronger assurances than at first indicated that Mexico will increase shipments of crude oil to 300,000 barrels per day in 1983 from a publicly agreed 100,000 barrels due to be reached later this year.

Details of the planned increase in shipment will be discussed in October, when the president of Pemex, the Mexican state oil company, arrives for talks. In the meantime, discussions are continuing on how much Japanese aid will be extended to Mexico for the development of steel plants and port facilities.

The Japanese are reported to be offering about ¥45bn in economic aid in return for assured supplies of crude oil. The Ministry of International Trade and Industry said, however, that there had been no decisions on the final amount of any such aid.

The ministry did confirm that the Japanese understanding is that Mexico will, in fact, increase shipments to the 300,000 barrel per day level in 1983. This was the level which the Prime Minister, Masayoshi Ohira, requested during his official visit earlier this month.

There was no specific mention of such an agreement in the official communiqué issued at the time.

The first shipment of Mexican crude to Japan will arrive late next month in a tanker containing 750,000 barrels. It is expected that shipments next year can be increased to 150,000-200,000, and, if production in Mexico increases as planned, that the 300,000 target will be reached the following year.

The Mexican oil represents a very small portion of Japan's oil needs. The uncertainty of supplies from Iran, however, has forced the Japanese to diversify their sources of supply as much as possible. Since Iranian oil shipments were cut off last month over a pricing dispute, Japan has reached direct-deal agreements with Nigeria, Libya and Venezuela for crude shipments.

AP-JJ adds from Mexico City: Petroleos Mexicanos, or Pemex, Mexico's national oil monopoly, said it has signed contracts with the government of neighbouring Belize to provide 4m to 5m gallons of diesel oil and an unspecified amount of liquefied natural gas this year.

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## New freight centre for Calcutta

By P. C. Mahanti in Calcutta

THE EASTERN Indian Shippers' Association has thrown a challenge to the international conference lines by announcing plans to organise a freight centre which will collect cargo and arrange with Indian companies to ship the goods on advantageous terms.

It also plans to start a shipping service of its own to the U.S. and other destinations by hiring vessels on favourable terms and carry cargo at freight rates 20 per cent cheaper than what the conference lines charge. The first such service will start early next month, and the sailing would operate to New York, Houston, Philadelphia and Savannah. Services to UK/Continental and West Asia and Gulf routes have been planned for later.

Mr. Sanjay Sen, the president of Eastern Indian Shippers' Association and the deputy chairman of the All India Shippers' Council has said that the move is basically against the unjustified hike in the freight rates by conference lines ranging from 100 per cent to 150 per cent over the past decade.

## \$15m Java carbon black contract

By Richard Cowper in Jakarta

AUSTRALIAN Carbon Black is expected to win the contract to provide the engineering and technology for a 20,000-tonne a year carbon black plant at Cilacap, in central Java.

The Australian company is also set to become the foreign operating partner in the U.S.\$15m joint venture project with Pertamina, the Indonesian state-owned oil company, the Indonesia Development Bank, also state-owned, and P. T. Ramco, a private Indonesian company. Although final details of the equity shares have yet to be decided, it seems likely that Australian Carbon Black (ACB) will take 50 per cent with Pertamina taking the bulk of the remaining 50 per cent.

Output from the plant will be largely used to service the local tyre industry which is currently totally reliant on imports, and is growing at around 12 per cent a year.

ACB, which is competing against U.S., Indian and Japanese companies, is expected to be awarded the contract largely because the major Indonesian tyre producers are already importing carbon black from ACB.

## Brazilians dream of boom in China sales

BY DIANA SMITH IN BRASLIA

THE THOUGHT of selling enough cotton to dress even a small percentage of China's 1bn people brings a dreamy look to the eyes of Brazilian traders.

It conjures up visions of thousands of acres of new plantations in Brazil's impoverished northeast, new jobs for the migrant rural poor, and new revenue for hard-pressed state and municipal bodies.

For the moment the dreamed of boom in cotton sales to China is but a seed planted during the recent meeting in Peking of the two-year-old Brazilian-Chinese Trade Committee. But with seven Chinese missions visiting Brazil this year, and a steady flow of Brazilian officials and private businessmen towards Peking and Shanghai, there is little doubt that the idea will be nurtured in the months to come.

Despite the axiom "one does not sell to the Chinese—they buy what and when they see fit," Brazil's trade with China has picked up rapidly since diplomatic relations were established in 1975.

To date there has been more selling by the Brazilians than by the Chinese—of iron ore, shipped at a rate of 750,000 tonnes a year, steel alloys, soya beans and meal, sugar and even a little coffee.

With China's massive steel industry expansion plans, the Brazilians hope to sell more iron ore. At present, they operate under a \$1bn contract signed in 1978 for a five-year

Meanwhile Brazil expects to balance its trade with China for the first time in history this year. After three years of term, hundreds of millions of dollars of exports and only a few million dollars of imports from China, the balance improved in 1979. Then, the first imports of Chinese oil began, at a rate of some 21,000 b/d. By October, 1979, the trade balance was \$41m in Brazil's favour, with exports of \$102m.

This will increase this year, and the eventual target is \$250m

of Chinese oil per year. Apart from oil, the Brazilians are snapping up Chinese wooden toys, carpets and chinaware, and stepping up purchases of basic chemicals for the pharmaceutical industry.

The will to strengthen ties between the giant of South America and the giant of Asia is manifest in Brasilia—as is fascination with the industriousness of the Chinese and their intensive use of rural space, effective methods of teaching natural blights, and public hygiene.

The Brazilian rural diet leaves much to be desired in the way of protein, and the Brazilians are sending a team of nutrition experts to China to discover what they can learn. Other experts are looking into Chinese herbal medicine and ancient medical practices that might be applicable to Brazil, which suffers from a shortage of doctors, especially in many rural areas where the impoverished suffer from a dramatic variety of congenital, acquired or malnutrition-related diseases.

Brasilia knows that its trade with China can never compete with, say, Japan, but they feel they have a strong selling point in what they call "horizontal co-operation between the world's two largest developing nations."

They see the stream of Chinese missions towards Brazil as a sign that the Chinese want to find out what Brazil can do for them.

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## UK NEWS

## State airline critics may face 'discipline'

BY LYNTON McLAIN

SENIOR STAFF at British Airways said to have sent national newspapers documents disagreeing with airline policy, could be dismissed, the State-owned airline said last night.

The security branch of the airline has started investigations to trace the source of the documents, and "disciplinary action" will certainly be taken against those responsible.

The documents have been sent to the Press and to British Airways' competitors, including Qantas and Air France. The papers contained criticism of British Airways' commercial policies—in particular the move towards lower fares and allegedly lower quality. They also criticised this year's agreement on pay for aircraft cabin crew.

Mr. Roy Watts, the airline's chief executive, told managers before the Whitsun holiday that many of the judgments and conclusions in the documents were reached by "misinterpretation and misinformation."

However, he said he would not start a public argument over "anonymous letters written (apparently) by a few staff members who do not have

the courage to put their names to them."

Mr. Watts said that some dissent was inevitable but healthy in a large organisation, especially where the organisation was determined to adapt itself in radical ways.

The airline is attempting to reconcile the difficulties of trying to operate in the growing market for mass air travel, without sacrificing too much of its standards at a time of rapidly rising fuel and wage costs.

The decision to drop first class seats in flights to Europe and replace them with club class (which provide slightly less room) is one of the measures adopted by the airline to cater for the growing number of people who want to travel by air.

But the airline's own forecasts show that the growth in airline passengers is expected to slow this year. Passenger volume is expected to grow this year by 5.2 per cent compared with 14 per cent last year.

Although this growth was impressive by airline standards, it was achieved, at almost no

profit. British Airways is expected to announce that it just broke even last year because of fuel bills £300m than forecast.

The documents at the centre of the tension which is sapping morale in British Airways have maintained that the decision to remove first class in Europe is the first step towards abandoning it on all routes.

British Airways denies this, and its policy of continuing this type of service has been explained in lengthy video presentations held personally by Mr. Watts with managers, pilots, cabin staff and other airline workers.

Mr. Watts said on Friday that the management style of British Airways was to be "open, frank and responsive."

He said this entailed the disclosure of plans, policies, objectives, and results "in much greater detail than in other companies." The airline invited comment, including criticism from staff but he said the anonymous dissent now being voiced "deserves scan review, when it is expressed in ways calculated to damage our airline."

## British Rail fined £10,000 for tunnel death collapse

FINANCIAL TIMES REPORTER

BRITISH RAIL was fined £10,000 yesterday after the collapse of the Perma-shiel Tunnel on the main East Coast line.

Passing sentence in the High Court in Edinburgh, the judge, Lord Jauncey, said: "The risks involved of a collapse of the tunnel while a passenger train was passing through were of course risks of an enormous degree."

By the grace of God the disaster which occurred was of a lesser rather than a very much greater degree."

The tunnel in Berwickshire collapsed on March 17 last year, entombing two workmen. British Rail admitted an amended charge under the Health and Safety at Work Act. Miller Construction, the contractor, had its plea of not guilty accepted.

Lord Mackay, the Lord Advocate, said a freight train passed through the 133-year-old tunnel shortly before the collapse. He said tests had been carried out before work began—but none was concerned with the structural strength and stability of the tunnel and how it might be affected by the work.

The Lord Advocate said BR had information that there were sags and bulges in the tunnel, and one of these was mentioned in a 1968 inspection report.

He added that no qualified geologist appeared to have been involved or any study made before the work began. The two men who died, Gordon Turnbull of St

Boswells and Peter Fowler of Eyemouth, were operating machines in the tunnel when it collapsed at 3.45 am.

Lord Mackay said: "The matter is particularly serious because not only were the deceased exposed to risk but so too were others working in the tunnel and those travelling in trains which operated through it when work proceeded."

Mr. James Clyde, QC, for British Rail, said: "The collapse was due primarily to a highly special circumstance—a geological fault or failure over a relatively limited area of the ground above the tunnel."

This fault was unknown and undiscovered until after the collapse and might have remained undetected even with a geological survey.

"The past history was not such as to make it obvious that there was any significant danger in what was being done. The design and conduct of the work was not open to any serious criticism. The work was carried out with care and due regard to safety."

But Mr. Clyde agreed, it would have been both possible and practical for BR to have had a geological survey before the work started.

British Rail station staff and drivers were back at work yesterday after the Bank Holiday. But administrative staff enjoyed an extra day off as part of a new holiday deal which will give most staff at BR's national and divisional headquarters two days' leave for every statutory Bank Holiday.

## Arts cash 'still low priority'

By Richard Evans, Lobby Editor

THE PRIME MINISTER gave a clear hint last night that State patronage for the arts would continue to have a low priority under her administration.

At a Royal Academy banquet in London Mrs. Thatcher said it was impossible to imagine any society in which the arts would be able to dispense with patronage.

There would always be a need for grants and prizes, whether from public or private donors.

But even though the heights of artistic creation are often attained under a system of patronage, you cannot achieve a renaissance by simply substituting State patronage for private patronage," she said.

What was important was that we should not allow some huge artistic bureaucracy to develop charged with deciding what should or should not be supported, and instructed to ensure that a high level of artistic productivity was maintained, she said.

## Heritage

There had to be some public spend on the arts and on the nation's heritage. At present, this went overwhelmingly to the performance arts; true market prices at the box office would put them beyond the reach of many people.

Given time, I hope our economic policies will change that, but in the meantime I am sure it is right to support them. Despite the need for economy, the Government had increased spending on the arts, libraries, and museums to £163m this year.

In a restatement of her personal philosophy, Mrs. Thatcher said if a heritage was to be created for the future, a more generous and less obvious society must be developed.

Tax laws had grown up in the last generation which had made many artists, from novelists to conductors, into little better than exiles.

But it was not just a matter of taxation, it was a matter of creating an atmosphere in which individual talent could not only survive, but flourish and feel at home.

## Bank cards in electronic sales test

By Michael Lafferty, Banking Correspondent

BARCLAYS BANK will be the first British bank to experiment with electronic methods of payment at the point of sale. The scheme, which starts in the North-west area next month will be the first practical application of a debit card in the UK.

From June 2 the 1m holders of Barclaybank cash cards will be able to pay for petrol and other garage services in the North-west area through an experimental system known as Counterpoint.

Counterpoint will be available to holders of Barclaycards and most other credit cards which are part of the worldwide Visa club. The service links a garage's cash register to an attachment which reads the magnetic stripe on the back of the plastic card. The card is passed through the reader by the garage attendant, and a receipt is produced automatically.

The equipment memorises each transaction and, at the end of the day, details are transmitted over a telephone line to Barclays' computer.

## Vintage age on stamp books

THE THIRD set in the Post Office's series of stamp books with illustrated covers will be available from June 25.

The veteran car featured on the 50p book, again designed by Basil Smith, is a Vauxhall of 1908-09; on the £1 book, Peter Hutton shows Hawker Fury and Handley Page Heyford military planes; and on the £1.20 book Norman Battershill shows Cornish tin mines.



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## World recession 'in early 1980s'

BY JAMES McDONALD

A FORECAST of recession for the world economy in the early 1980s, of recovery to a peak in 1984 in gross national product (GNP), a setback in 1986 and then recovery by most of the major economies later in the 1980s, is made today by Economic Models, the London-based international forecasting group.

The assessment for the economies in the 1980s of Europe, North America and Japan—nine countries together accounting for over 80 per cent of OECD output and trade—is that almost without exception "this year and next will see the major economies experiencing a substantial downturn which for some countries will be more severe than the depression in 1974 and 1975."

Growth in world GNP will be stagnant in both 1980 and 1981, with the U.S. and Canada particularly affected. The U.S. GNP this year is expected to decline by 1.8 per cent.

Economic Models is gloomier about the UK than in its last forecast in February, predicting bleak prospects throughout the 1980s. It now estimates that the UK's gross domestic product (GDP) will drop 3.2 per cent this year—as against a 2 per cent decline forecast in February—while the unemployment total of 2m, which in February it did not expect until 1984, will be reached in 1981, with 1.9m out of work by the end of this year. Unemployment is expected to remain above 2m for most of the decade. Inflation in Britain will average 13.9 per cent.

The survey forecasts a 1.5 per cent growth of British GNP in 1981 and a 2.2 per cent growth in 1982, leading to a 5.2 per cent expansion in 1983. Then, after 1985-86, the forecast declines in the North Sea oil

surplus is expected to expose the "weak state of the non-oil economy." There will be a growth of 3.1 per cent in 1984, then a decline of 1.2 per cent in 1985.

"The danger for the period beyond 1985-86 is that by this time the competitiveness of UK manufacturing industry will have been eroded to such an extent that severe readjustment may be necessary."

For the world as a whole the forecast says: "In the early 1980s, along with the downturn in economic growth, there will be a substantial rise in inflation. Although rising oil and commodity prices are partially responsible, in a number of economies, particularly the U.S., the UK and Italy, domestic factors have also played a leading part."

Also in line with the falling GNP growth rates is the rising trend in total unemployment. In almost all of the nine countries where forecasts are presented there are significant increases in the unemployment rate—the major exception being Japan, the country least affected by the oncoming recession."

After 1981, the survey forecasts, the world economy will move rapidly into recovery, with Europe playing the leading role. In the U.S., Germany and Italy, 1981 is the low point in growth terms for all other countries, however, economic growth begins to recover next year."

In aggregate terms, world GNP growth recovers from the 1980 and 1981 recession to peak in 1984. "The next low point in growth terms is in 1986, after which the major economies will on the whole experience higher rates of growth" until the end of the 1980s, with global unemployment gradually falling to just over 6 per cent by then.

## Carlisle invites parents to help State schools

BY MICHAEL DIXON, EDUCATION CORRESPONDENT

THE GOVERNMENT has no objection to parents subsidising books and equipment for schools affected by cuts in public spending, said Mr. Mark Carlisle, Secretary for Education and Science, at the National Association of Head Teachers' conference in Cheltenham yesterday.

Although the result might be

inequalities in equipment between schools in different areas, Mr. Carlisle felt it was up to the head of each school to decide whether to encourage parents to contribute.

"If parents feel there are shortages in their schools which they are able to meet, I see no reason why they should not be encouraged to do so," he said.

## Signs of recovery in world shipbuilding

BY WILLIAM HALL, SHIPPING CORRESPONDENT

THE WORLD'S shipbuilding industry is recovering from its worst recession since the 1930s. In the first quarter of this year, 5.4m gross tons of ships were ordered, almost twice the output of the world's shipyards during the same period.

According to Lloyd's Register of Shipping, the tonnage on order rose 2.6m gross or 9 per cent in the period to 30.9m tons. At the end of March 10m gross tons of tankers were on order, 9.3m gross tons of bulk carriers and 5.3m gross tons of general cargo ships.

The world shipyards' order-

books reached a low point in March 1979 of 25.1m gross tons.

Japan leads the way in ordering ships. At the end of March Japanese shipowners had 1.8m gross tons on order, followed by Liberia with 1.3m gross tons, the U.S. with 1.1m gross tons and Brazil with 0.9m gross tons.

Japanese shipyards increased the size of their order-books during the first quarter by a fifth to 11.25m gross tons. Spanish shipyards increased their orders 22 per cent to 1.9m gross tons and Korea increased its order-book by 18 per cent to 1.5m gross tons.

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# Tax cut leads Manx drive for prosperity

BY ANTHONY MORETON, REGIONAL AFFAIRS EDITOR

THE Isle of Man yesterday cut income tax by a halfpenny to 20p in the £. It is the third successive year in which the rate has been cut and brings the island's rate of direct taxation on to the same level as that in Jersey and Guernsey.

At the same time higher social security benefits, increased tax allowances, and the abolition of some local rates were announced by Mr. Percy Radcliffe, chairman of the Manx Board of Finance.

In a move that will be watched carefully in Whitehall, he told Tynwald, the island's parliament, that from 1981-82 the Government is to tax social security benefits.

"Under our present system," he said, "it has been possible for some people to have highly-paid seasonal work and be unemployed for the remainder of the year and pay very little income tax, although they might have the same income as another person who works all the year round and is obliged to pay tax on the whole of his income. There is obviously a great disincentive to work."

The Isle of Man can set its own tax levels because it is a Crown dependency, owing allegiance directly to the Queen. As a sovereign country it can levy most of its own rates.

Until last year it had to keep indirect taxes in line with those in Britain. But an agreement then negotiated now gives it the right to set different rates of Value Added Tax. Mr. Radcliffe announced that the island is to look at the consequences of altering its rate from that in the UK.

There was serious concern in Douglas, the capital, when Sir Geoffrey Howe, the Chancellor, pushed up VAT from 10 to 15 per cent last year in his first Budget.

Although the halfpenny cut in income tax may seem small, it has an important psychological effect. The Isle of Man has remained in the shadows of the Channel Islands as an off-shore financial centre. The 20p rate has been in existence for 20 years in Guernsey and 40 years in Jersey.

The Channel Islands have therefore grown much more rapidly as financial centres, capitalising on the single tax rate and the absence of any capital taxes. Now that it has Government hopes to be able to grow more rapidly.

The island's financial activities now account for 28.5 per cent of its income, a slight fall over the year. The other main stays of the economy, tourism, industry and agriculture and fishing, all improved their share.

For the first time island spending this year will top £100m. But the Manx Government has, by law, to balance its budget, and Mr. Radcliffe estimated there should be a surplus of £3m on revenue account after transferring £1m to finance capital projects.

Among the main tax changes personal allowances are raised by 25 per cent, earned income allowance by 10 per cent and the personal allowance to a single parent family by 50 per cent. Concessions are also made to the self-employed.

## APPOINTMENTS

### Divisional posts at British Aerospace

BRITISH AEROSPACE has appointed three new executive directors at its Manchester division: Mr. K. Edgerton, executive director, marketing; Mr. T. A. House, executive director and deputy divisional technical director; and Mr. M. J. Turner, executive director, administration.

Mr. Kevin C. McCourt has been appointed chairman of REED STENHOUSE, the Irish subsidiary of the Reed Stenhouse insurance broking group. Mr. McCourt is chairman and executive director of Irish Steel, the state-sponsored steelmaker.

At ROSENTHAL INTERNATIONAL, Ms. Silvia Heer has been appointed vice-president in charge of credit and operations. She joined RIL in April after 12 years with Credit Suisse.

Sir Kirby Laing, deputy chairman of JOHN LAING, parent company of the John Laing Group, is to retire from the Board on his 64th birthday in July after 43 years' service. His post as deputy chairman will be taken over by Mr. Geoffrey Parsons, who retains his present appointment as chief executive.

Mr. James Stark has been appointed a director of YARD, a wholly-owned subsidiary of Yarow and Co.

Mr. D. J. Ferns has been appointed general manager of the City of London regional head office of LLOYDS BANK.

Mr. J. J. Donnan, works director, Harlesden factory, has been appointed managing director of HAROLD WESLEY.

Following the resignation of Mr. G. F. Connelly, Mr. P. McGuigan, financial director, will, in addition to his present position, be responsible for the company's Alfreton factory.

Mr. Mike Bowen has been made a director of MACE MARKETING SERVICES.

Mr. Ian Munro has been appointed director general of EURISOL-UK, the Association of British Manufacturers of Mineral Insulating Fibres. He also represents the UK on the market development committee of EURIMA, the European association of insulation manufacturers, of which the companies who form Eurisol-UK are also members.

Mr. J. Michael Younger has been appointed managing director of ARTHUR D. LITTLE. He is also a vice-president of Arthur D. Little International Inc. and a European director responsible for its management consulting practice in the UK and Ireland. He succeeds Mr. Harland A. Riker, Jr. who has been appointed chairman.

Mr. Peter Eyles has been appointed managing director of BRIDGE WALKER, part of the UK building division of the Trafalgar House Group.

Mr. Gerard Quilgott, production director of A. QUILGOTT AND CO., has been appointed to the new position of joint managing director. The position will be shared with Mr. Edward Quilgott, the company's chairman and managing director.

Mr. Roger Davis has been appointed a director of TUBE BORING of Tetbury.

Mr. John Willcock has become a director of MANOR NATIONAL GROUP in addition to his directorship of Manchester Garages and Oliver Rix.

Mr. Arthur Mellor, home sales manager of NU-SWIFT INTERNATIONAL, has been promoted to associate director and appointed sales manager responsible for the North of England and Scotland.

ALBRIGHT AND WILSON has appointed Mr. Robin Gooch as managing director of Bush Boake Allen, the company's flavours and fragrances division.

Mr. John A. Scully has been elected a senior vice president of MORGAN GUARANTY TRUST COMPANY from June 1. He will head a new international banking group responsible for the bank's business in the commodities and shipping industries and in Canada, including the activities of J. P. Morgan of Canada, a wholly-owned subsidiary of Morgan Guaranty.

Mr. N. F. Andrews and Mr. C. Sibberth will join the partnership of W. N. MIDDLETON AND CO., stockbrokers, on June 16.

Mr. Ronald S. T. Robbins, manager, Canadian Imperial Bank of Commerce, London, has been elected chairman of the BRITISH OVERSEAS AND COMMONWEALTH BANK'S ASSOCIATION in succession to Mr. R. C. Wheeler-Bennett.

Mr. Col. Howard Jordan has been appointed director of the SCOTTISH ENGINEERING EMPLOYERS' ASSOCIATION, following the retirement of Mr. William C. Munro.

## Fewer tourists and rising costs push B & I into loss

BY WILLIAM HALL, SHIPPING CORRESPONDENT

AFTER five years of uninterrupted profit growth, the Irish Government-controlled British and Irish Steam Packet Company lost £1.1m last year.

The company was hard hit by labour unrest in the UK, a fall in Irish tourist traffic and soaring fuel prices. In addition, its interest charges were more than doubled.

Last year the group's turnover rose by a sixth to £154.9m. Trading profits fell from £2.5m to £1.0m, and the group's net loss of £1.1m compared with a profit of £1.4m in 1978.

B & I estimates that it lost £1.2m because of industrial problems, mainly in the UK. Its freight services were paralysed for 109 days and because of the continuing labour unrest, principally on Merseyside, it had to withdraw its Liverpool Ro-Ro service.

It has replaced its Liverpool service with a new Ro-Ro operation between Fleetwood and Dublin. However, its Liverpool-Dublin car ferry service continues to generate substantial traffic.

The company carried 780,000 passengers on its nine ferries last year—an increase of 3 per cent.

	Net Profit	TR £m	Passengers	'000	Cars
1975	(0.1)	577	110		
1976	0.2	572	112		
1977	0.7	657	129		
1978	1.0	758	154		
1979	(1.1)	780	152		

cent on 1978. However, the number of cars carried fell slightly to 132,100 and the volume of freight fell by 6 per cent to 1.39m tonnes.

According to the company, tourist numbers from the UK fell by nearly 3 per cent due to communications difficulties and adverse publicity about petrol shortages.

Last year B & I introduced two new ferries, MV Connacht and MV Tipperary, and a third ferry will be introduced next year. In May 1979 a new service between Pembroke Dock and Cork was inaugurated and another service between Rosslare and Pembroke began this month.

The company started a Jetfoil between Liverpool and Dublin last month and is seriously considering exercising its option to purchase a second Jetfoil.

## Show day for NATO navies

NATO's two standing maritime task forces, Atlantic and Channel, will go through their paces in the North Sea on June 9 and 10 for an audience of diplomatic and military officials.

The group headed by Dr. Joseph Luns, Secretary-General, will include ambassadors to NATO and representatives on the Atlantic's military committee.

The sea days have been jointly planned by Admiral Sir James Eberle, Allied Commander-in-Chief, Atlantic, and Admiral Harry D. Train II, Supreme Allied Commander, Atlantic.

Demonstrations will include mine countermeasures, surface-to-surface gunnery, anti-submarine operations, a replenishment at sea, and rocket and bomb attacks by Royal Netherlands Air Force aircraft.

The ships will operate from the Netherlands naval base at Den Helder.

## UK tops German wine exports

By David Churchill, Consumer Affairs Correspondent

BRITAIN HAS become the leading export market for German wine, according to export statistics published by the German Wine Institute in Mainz.

The statistics show German wine exports to the UK rose just over 45 per cent in 1979 to 456,000 hectolitres (about 10m gallons). The UK overtook the U.S. as the leading export market for German wine. Exports to the U.S. fell 29 per cent to 413,500 hectolitres.

But the institute expects exports to the U.S. to recover by the end of this year and the U.S. to return to its position at the top of the export league table.

The growing popularity of German wine in the UK has made it the fastest growing sector of the wine market. A £250,000 advertising campaign is about to be launched for a new premium quality Liebfraumilch called "Mice Tower."

GK Wine Brokers, which will handle the UK marketing and distribution, hopes to win some 10 per cent of the UK market over the next 18 months.

A NOP market survey indicates that wine is the most popular drink sampled at home. The nearly 2,000 adults surveyed showed a slight preference for wine over sherry.

German wine was rated the most popular country of origin for wines, followed by France and Spain.

The survey surprisingly reveals that the number of Scots who drink whisky is below the national average and Scotland tops the regional list of people abstaining from alcohol.

## Air holidays set profits record

BY LYNTON McLAIN

THE TOP 30 air travel organisers in Britain made a record net profit of £37.3m last year, a rise of 6 per cent compared with 1978.

Turnover was £685.4m—up 31 per cent on the previous year. The Civil Aviation Authority, which gave the figures yesterday, said the net profit of 5.4 per cent of turnover, compared with 6.5 per cent in 1978, indicated that the industry was "maintaining a healthy status."

However, three of the top 30 air travel organisers made total losses of £2.6m last year compared with a loss of £700,000 by two air travel organisations in the previous year.

The list of the top 30 does not include any companies

which failed last year. The losses they made are not included in the figures.

The net profits of the top 30 companies as a proportion of turnover fell steadily from 1975, when it was 4.6 per cent, to 2.2 per cent in 1977. The large increase to 6.5 per cent in 1978 reflected the rapid growth in that year of international air travel, which was largely a result of moves by airlines to reduce fares.

The Civil Aviation Authority has so far this year authorised Britain's air travel organisers to offer for sale more than 6.1m air holidays in the 12 months to Christmas. The total number of air holidays has increased by nearly 1m a year for each of the past three years.

## 'Asset-stripping' claim over oil revenue

BY RAY PERMAN, SCOTTISH CORRESPONDENT

THE GOVERNMENT was yesterday accused of blatant asset stripping in failing to invest oil revenues in manufacturing industry, by Mr. Peter Balfour, chairman of the Scottish Council for Development and Industry.

He deplored the continued disappearance of revenues from the North Sea into the cavernous maw of the Treasury.

"I am not totally convinced that the Government has thought beyond the immediate problem of getting us out of debt. Not a bad short-term objective, but using oil revenues to do so is a very short-term expedient and a dangerous one."

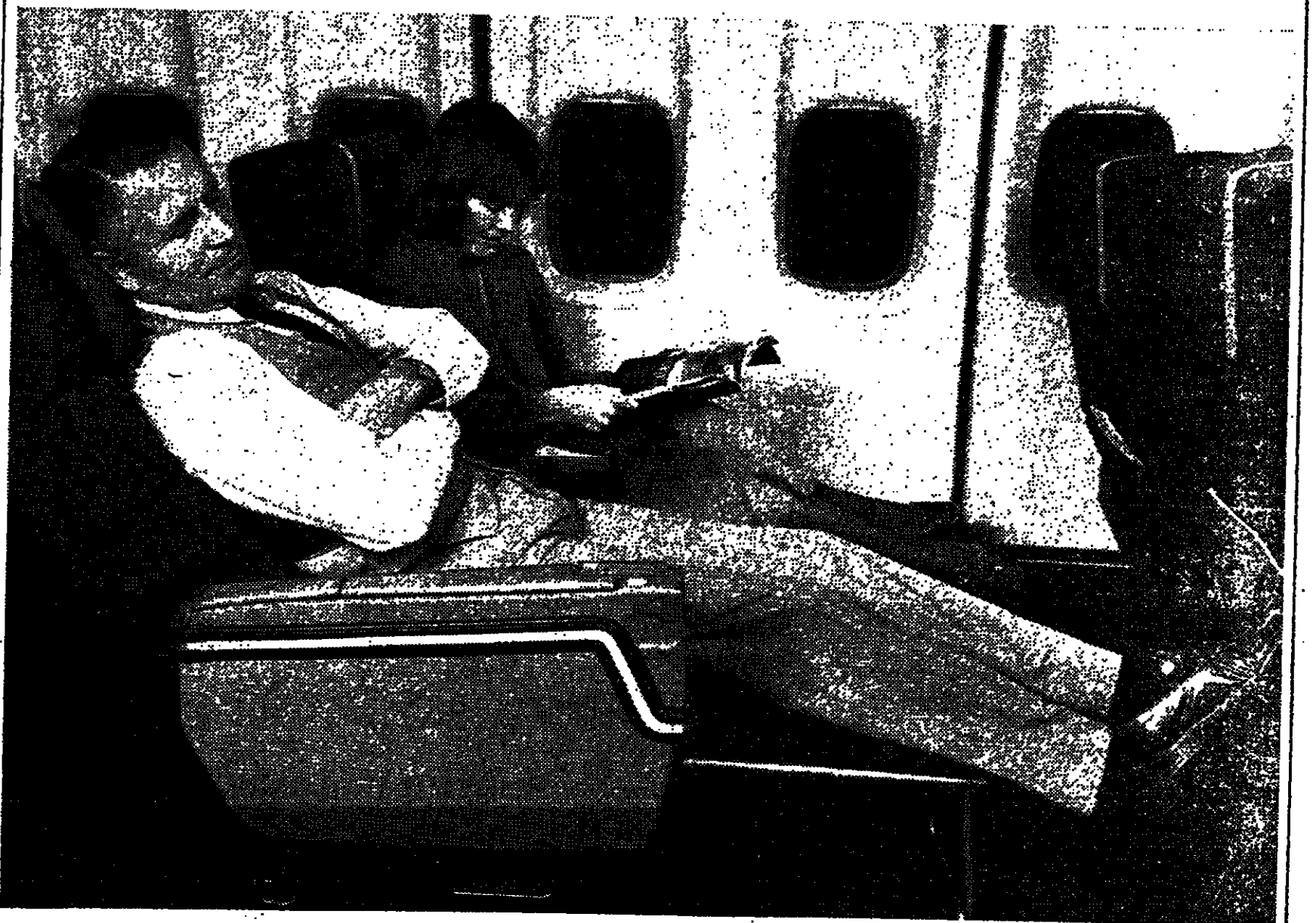
"Not to reinvest oil revenues to create new industries, new technologies, new skills, not to

improve our productive capacity and international competitiveness, is tantamount to asset stripping of a most blatant kind," Mr. Balfour said.

The council is a non-political body funded jointly by the public and private sectors. Mr. Balfour criticised the Government for its lack of an effective regional policy. It could not abrogate responsibility for major setbacks to regional development such as the impending closure of Wiggins Teape's pulp mill at Fort William, he said.

State subsidies had played a part in the original investment at the mill and the effect of oil revenues on sterling had meant its output was no longer able to compete on price with imported pulp.

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## SNIA VISCOSA ANNUAL GENERAL MEETING

With extraordinary session held on 30 APRIL 1980

The company's annual general meeting, followed by an extraordinary session, was held under the chairmanship of Luigi Santa Maria. Company sales amounted to Lire 764bn, an increase of 8.4 per cent. Aggregate sales, including those of Italian and foreign subsidiaries and associates, totalled Lire 1,597bn, an increase of 17.5 per cent.

The net loss of Lire 32bn was made good by halving the par value of the shares. In the course of the discussion the chairman elucidated the causes of the loss, due almost exclusively to the man-made fibre crisis, and explained how the implementation of the restructuring plan, submitted to the extraordinary meeting, would enable Snia to regain its former strength, backed as it is by its human assets and rich stock of patents, resulting from its scientific research.

The chairman then spoke of the hiving-off of the principal sectors of Snia's business (man-made fibres, textile processing, chemicals, defence and aerospace) to separate 100 per cent subsidiaries. Lastly he explained why the leading Italian companies, taking advantage of the GATT rule, directly applicable to Italy, have asked for a ban on man-made fibre imports from the USA.

In the first four months of the current year sales amounted to Lire 262bn compared with Lire 156bn in the same period of 1979.

The shareholders unanimously adopted the directors' report, the balance sheet and profit and loss account.

Regarding appointments, the new board of directors is made up of: Alfredo Ambrosetti, Antonio Belloni, Giuseppe Benigni, Gino Ceriani, Mario Lanfranchi, Luigi Lucchini, Pietro Marzotto, Lamberto Maizza, Carlo Pasendi, Alberto Predieri, Cesare Romiti, Antonio Schiatti and Mario Valeri Manera. The shareholders reappointed the previous board of auditors, Luigi Santa Maria was then acclaimed honorary chairman of the company amid long applause.

At the extraordinary session the shareholders approved the industrial restructuring programme based on the following points:

- 1) Increase of the share capital by Lire 104bn, after its reduction to cover the year's loss (with a consequent reduction of the capital to service the Mediobanca 7% 1975/1980 convertible bonded loan from Lire 53.4bn to Lire 19.8bn, after allowing for redemptions and conversions that have taken place in the meantime), through the issue of ordinary shares offered at par to the shareholders and to holders of the Mediobanca 7% Special Snia Viscosa 1973/1980 series convertible bonds. Negotiations are proceeding for the creation of a consortium of banks to intervene under Law 787, should all the shares, not be taken up.
- 2) Increase of the share capital by Lire 52.1bn through the issue, in one or more tranches, of 52,145,804 ordinary shares of Lire 1,000 each, reserved for subscribers of the new Lire 52.1bn Mediobanca Special Snia Viscosa Series 13%, 1980/1990 convertible bonded loan, in its turn to be offered to Snia Viscosa shareholders and to holders of Mediobanca 7% Special Snia Viscosa 1973/1980 convertible bonds.
- 3) Consolidation of debts under the terms of the financial restructuring Law 787, namely Lire 162bn due to banks as follows: Lire 80bn short term, Lire 51bn medium term maturing in the period 1979/1981 and Lire 31bn interest.
- 4) Continuation of the programme of disposing of property and holdings not considered essential to company business.

The directors have appointed Pietro Marzotto chairman of the board and Antonio Belloni and Giuseppe Benigni vice chairmen.

SNIA



## UK NEWS

# Big-spending councils face cut in grant

BY ROBIN PAULEY

THE GOVERNMENT has compiled a confidential list of 21 local authorities in England and Wales which it will penalise for overspending unless they can show special circumstances worthy of a reprieve.

The authorities are all Labour controlled, except Hammer-smith and Fulham, which has a Liberal-Tory coalition, and Wandsworth, which is Tory.

Wandsworth is certain to be exempted from penalties because of its previous attempts to cut spending and manpower have impressed Ministers who use it as an example of what ought to be happening up and down the country.

A final decision on the scale of penalties is imminent but will await final checks by civil servants to uncover any mitigating circumstances.

The penalties will take the form of withholding part of a future Government grant. How much is withheld will depend on the degree of overspending.

Penalised authorities will be forced to increase their rates to make up the shortfall or to cut services and reduce spending.

Mr. Michael Heseltine, Environment Secretary, said in November that authorities on what he calls the "baddies" list would be exempted if spending had been reduced significantly in real terms or if unexpected expenditure had been incurred—for example because of flooding.

The list has been compiled on the basis of the notional uniform rate of 119p in the pound set by the government

## RATE IN THE POUND AFTER ADJUSTMENT BY ENVIRONMENT DEPARTMENT FORMULA

	£		£		£
Camden	246	Newcastle	178	Newham	158
Islington	231	Hammer-smith/Fulham	166	Greenwich	157
Southwark	216	Swansea	165	Alban	156.75
Tower Hamlets	209	Brent	162	Doncaster	156.7
Lambeth	208	Waltham Forest	159	Wandsworth	156.3
Haringey	190	Manchester	159	Hounslow	156.1
Hackney	189	Sheffield	154		
Lewisham	181				

last November.

This is the rate which authorities would need to levy after taking account of government grants to raise just enough to cover their spending needs as assessed by the Environment Department.

Anything over this could be regarded as overspending.

In fact, more than 150 authorities have a rate above the 119p figure, and the threshold set to catch the worst is 156p, which allows for overspending of more than 30 per cent above the notional figure before penalties begin.

The figures in the list vary from the actual basic rate levied by authorities for 1980-81. This is because the Environment Department formula has allowed for differences in circumstances between London and the rest of the country and for differences between types of government grant.

These penalties will apply only this year while the Government changes from the old system of rate support grant to the new block grant system, which will operate from 1981-1982 onwards.

The new system, embodied in

the Local Government Planning and Land Bill now passing through Parliament, will ensure that Government grants are automatically reduced once an authority's spending exceeds prescribed levels.

Any further expenditure would have to be paid for with money raised exclusively from ratepayers.

Mr. Heseltine always said he hoped he would not have to penalise any authority this year and that only a handful, "maximum 20," would suffer in any event.

But many rates for 1980-81 were far higher than he had hoped and the Government's campaign to persuade local authorities to cut manpower levels has so far been an almost total failure.

Mr. Heseltine has admitted that there would be an element of rough justice in the penalties.

Because of the way the list is calculated, no penalty will be levied against authorities which increased their rates by very large percentages if that increase did not bring the simple rate figure far enough up the list of overspenders.

# 'It's union against union' at the Isle of Grain

BY JOHN LLOYD, LABOUR CORRESPONDENT

AT ABOUT 7.30 yesterday morning, the first coach bearing the workers for the Isle of Grain power station ground slowly down the straight half-mile to the station's gates. It was stopped 50 yards in front of

jeering pickets hemmed back (and outnumbered) by Kent constables.

Mr. Frank Earl, national officer of the General and Municipal Workers' Union (who had earlier muttered: "this is my

bloody nightmare") stepped on the bus.

Inside, in company with the workers, a number of pressmen and an ITN film crew, sat two fellow senior trade unionists. Mr. John Baldwin, general

secretary of the AUEW's construction section, and Mr. Eric Hammond, an executive councillor of the Electrical, Electronic Telecommunications and Plumbing Union.

Like Mr. Earl, both men were experienced, middle-aged and routinely described as moderates. But they were on a wholly different side.

Mr. Earl addressed the passengers, asking them to turn back from the picket line. He received several dusty answers.

"John Baldwin isn't a trade unionist," he said. "Any person who goes on and crosses picket lines here today can't call himself a trade unionist."

Mr. Hammond, sitting a few feet from Mr. Earl, retorted:

"We're thinking about the jobs here on this site."

"You're naive if you think you're saving jobs," said Mr. Earl.

"We're staying naive," snapped back Mr. Hammond. "We're trying to save an industry here. We're going through."

Later, as other buses followed the first Mr. Earl stood back from the pickets and said:

"It's union against union. I'm very very angry and disgusted that colleagues should do this. It's the worst I've ever seen."

Later still, with most of the workers through the picket lines, Mr. Baldwin and Mr. Hammond stood inside the perimeter fence. They showed off a sizeable rock which they claimed had been thrown through a window—the pickets allege it was thrown by a policeman—and talked of "a victory for sensible trade unionism."

"If this is modern trade unionism then I want no part of it," said Mr. Baldwin. "This gives all our critics evidence of the ugly side of unions."

"Either Frank Earl is a fool or he's unfit to be a trade union official," said Mr. Hammond.

The fierce animosity evident between the senior officials found its counterpart on the lines. Pressed back on to a narrow pavement by some 500 policemen, about 350 pickets erupted into sporadic anger as coaches and vans crunched through the tunnel created by the police.

The first few were hit by placards and had to stop as the crowd came at them—it was then that the bulk of the 37 arrests were made.

As more and more came through between 8 and 9 am the pickets quietened and signified their anger to shouts of, among other epithets, "Scab!"

There were moments of Mr. Baldwin was widely identified as "J.R." of Dallas fame; one picket donned a Hitler mask and harangued his fellow.

Most of the workers who went in looked a little sheepish. Only a few returned the gestures and shouts of the pickets. Perhaps two dozen said they would turn back.

Pickets recognised several shop stewards from the AUEW, the EETPU, and even the Transport and General Workers' Union—and their transport was treated with particular scorn.

By 9.30 am the trickle of white collar workers in new saloons had dried up, the police and pickets packed up, leaving a dozen GMWU men to hold fast the stable door.



Police remove a picket at the Isle of Grain.

Terry Kirk

# The parameters of the problem are constant

John Lloyd examines the background to the dispute

IT IS AS well to remember that when the Isle of Grain power station—Europe's largest construction site, which is expected to cost £560m—was closed by a strike last August, it was not the laggards who stopped it. Nor are they doing so now—though they are trying.

The unrelated dispute (involving scaffolders) did, however, throw up two problems which concerned the laggards. First, Cape, Darlington and

Newall, the employing firm, informed the 27 laggards who had been laid off that they would not all be needed when work restarted. The union stewards, Mr. Phil Kelleher and Mr. Malcolm Collar, decided on a "one out, all out" approach, and stayed out.

More importantly, the contractor was under pressure to change the high, open-ended bonus scheme for a lower rate more in tune with rates earned by other skilled men on the site. This aim was shared by the other skilled workers' unions, mainly the Amalgamated Union of Engineering Workers' construction section and the Electrical, Electronic Telecommunications and Plumbing Union.

The parameters of the problem have remained constant since. The Grain laggards, supported by their union, the General and Municipal Workers' Union, have refused to

return for less bonus. The TUC and chaired by Mr. Len Murray, its general secretary—will have any success in doing so. Only the GMWU is likely to turn up.

Mr. Baldwin said yesterday he had "called it off." Mr. Bassett retorted that Mr. Baldwin could not call off TUC meetings.

Still, unless the GMWU calls off its pickets (Mr. Bassett says they won't), and shows itself willing to discuss a new bonus system (it won't), Mr. Baldwin was convinced that only Mr. Bassett, Mr. Frank Earl, his national officer, and Mr. Murray will be there.

A meeting of GMWU delegates called for tomorrow to discuss Grain will be better attended. There, judging by the mood of the pickets and officials yesterday, the union's militant mood is likely to be underscored.

Two elements suggest some hope, though they lie far in the

future. First, the Central Electricity Generating Board has made it clear both that it will shut down the site if laggard problems recur, and that it does want the site—preferably all five units on it—because it will burn expensive oil more efficiently than its older oil-fired stations.

Mr. Glyn England, CEGB chairman, speaking to the EETPU conference in Eastbourne last week, talked of Grain being a last chance for the British construction industry.

Second, talks between unions and employers on a new national site agreement have been continuing, and according to some participants, are going well.

Mr. Eric Hammond, of the EETPU, talked encouragingly last week of agreement in the latter part of the year, one which would obviate—hopefully—future Grains.

## EEC advertising controls 'too rigid'

BY MICHAEL THOMPSON-NOEL

THE EEC was yesterday accused of attempting to fit British and other European advertisers into a straitjacket of conformity by one of Britain's first European Commissioners.

Lord Thomson of Monieith said the Commission was being over-zealous. It was a folly to try to run people's daily lives

from Brussels.

Lord Thomson is the present chairman of the British Advertising Standards Authority and chairman-designate of the Independent Broadcasting Authority.

In the BASA's 1979 annual report, he says the Community's draft proposals for governing advertising standards in mem-

ber-countries were a threat to the British system of statutory control and self-regulation.

The EEC should stick to its proper job—"The fateful and historic business of bringing about the strategic convergence of our national economies and enabling Europe to have a single foreign policy."

Because of the way the list is calculated, no penalty will be levied against authorities which increased their rates by very large percentages if that increase did not bring the simple rate figure far enough up the list of overspenders.

Progress Report 1979  
Hessische Landesbank - Girozentrale

# Another year on course

In 1979 Hessische Landesbank, one of Germany's top ten banks, made significant progress toward achieving its longer term goals based on quality growth and increased earnings. Total assets grew by 9% to DM 49.2 billion, accompanied by a rise in earnings of 16%.

Contributing materially to these results was a healthy expansion in international business. Foreign lending continued to develop favorably, particularly loans for exports, reflecting the Bank's considerably strengthened position with Germany's exporting industries.

Foreign commercial business recorded an overall gain of 27% highlighted by a substantially higher volume in documentary business transacted for the Bank's own clients and for those of Hesse's Sparkassen.

Foreign exchange activities were further expanded, and securities business was again strengthened, particularly with institutional investors.

In international syndicate business, the Bank participated in 45 Euro-DM issues, 92 publicly offered foreign currency issues, 5 private placements, and 13 share placements of foreign companies.

In line with the Bank's gradual streamlining of its international service capabilities, 1980 will see the conversion of existing New York facilities into a full-service branch, the integration of an



already operating London branch of a subsidiary, and the opening of a wholly-owned Eurobanking subsidiary in Luxembourg. Headquartered in Frankfurt, Hessische Landesbank is a government-backed universal bank concentrating on wholesale banking and medium to long-

term lending. The Bank's services are tailored for large domestic and international corporations, foreign governments and financial institutions, and it also acts as a banker to the State of Hesse and performs clearing functions and other centralized services for Hesse's 52 Sparkassen.

Based on the achievements of the past three years and with the foundation in place for continued quality growth and profitability, Hessische Landesbank looks forward to another year of progress in 1980.

For a copy of our 1979 Annual Report or further information, please get in touch with:

Hessische Landesbank  
-Girozentrale-  
Jungbühlstrasse 18-26  
D-6000 Frankfurt/Main  
Telephone: (0611) 132-2192  
Telex: 0415291-45

Financial Highlights	DM million	1977	1978	1979
December 31				
Business Volume		44,356	46,974	51,843
Balance sheet total		42,610	45,032	49,150
Total credit volume		34,214	36,212	41,420
Short-term assets		8,704	9,630	10,133
Due from banks		7,244	8,062	7,700
Due from customers		1,460	1,568	2,433
Long-term lending		22,060	23,359	25,865
Lending to banks		2,511	3,090	3,719
Lending to customers		19,549	20,269	22,146
Trustee business		5,292	5,449	5,974
Short-term liabilities		8,987	10,201	10,312
Long-term liabilities		4,069	5,476	6,847
Bonds issued		19,989	19,485	21,248
Capital and reserves		871	936	1,086

Helaba Frankfurt  
Hessische Landesbank - Girozentrale

# Kreditanstalt für Wiederaufbau

Wesentliche Bilanzzahlen zum 31.12.1979

Aktiva	in Mio DM	Passiva	in Mio DM
Barreserve u. Bankguthaben	1.094	Verbindlichkeiten aus dem Bankgeschäft	27.668
Wertpapiere	252	Solawechsel	730
Kredite		Schuldverschreibungen	2.788
an Kreditinstitute zur Weiterleitung	17.558	Rückstellungen	104
unmittelbar gewährt	13.930	Grundkapital	1.000
Beteiligungen	153	Rücklagen	1.277
Grundstücke und Gebäude	21	Durchlaufende Kredite	16.029
Nicht eingezahltes Kapital	850	Restliche Passiva	644
Durchlaufende Kredite	16.029		
Restliche Aktiva	353		
Bilanzsumme	50.240	Bilanzsumme	50.240

Der Jahresabschluss trägt den uneingeschränkten Bestätigungsvermerk des Abschlussprüfers. Die vollständige Bilanz wird im Bundesanzeiger veröffentlicht. Den Geschäftsbericht senden wir Ihnen gern zu.

KfW Kreditanstalt für Wiederaufbau

Palmengartenstraße 5-9  
6000 Frankfurt am Main 1  
Telefon: 0611/74311; Telex: 411352



# A man will always buy a better tyre if you remind him how much is riding on it.



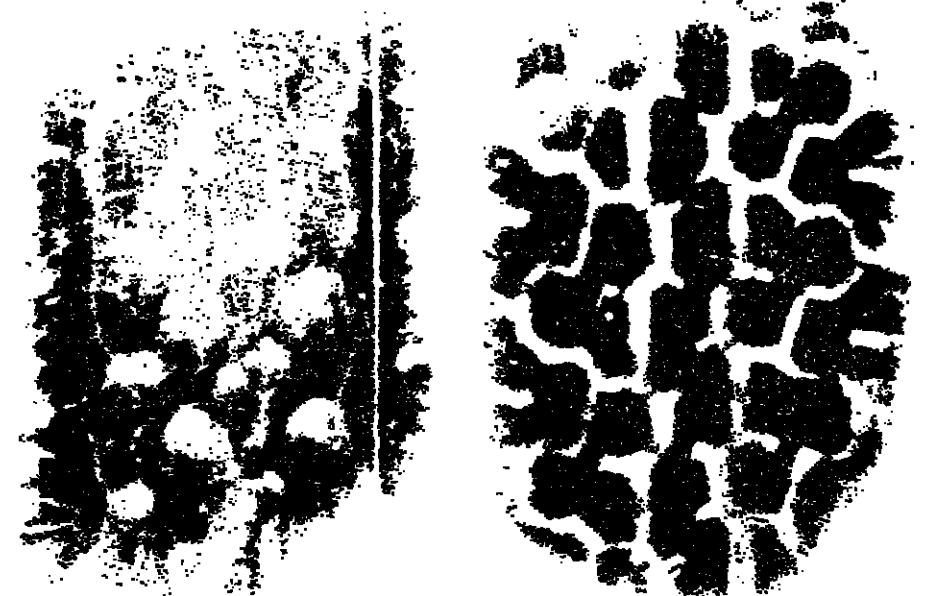
year we spend millions on research and development.

If we don't tell people what we're doing, and tell them in a sensible, down-to-earth way, they'll never know what an enormous amount of skill and care goes into a product like the S-211.

And how much more, as a result, it offers.

When we talk to the public in our advertising, we talk seriously, and we talk facts. When our colleagues in the trade talk about the S-211 for us, we like them to do the same.

We tell motorists that the Firestone research and design team were given the toughest brief imaginable – to come up with a tyre that would out-perform the best tyres on the market. The Goodyear



Grand Prix S. The Michelin XZX. The Pirelli P3. The Dunlop SP4.

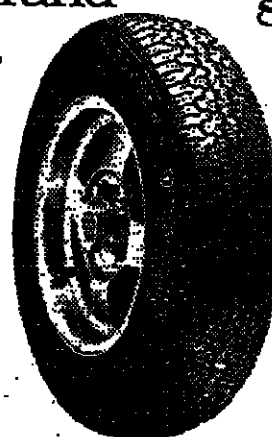
We tell them the S-211's straighter sidewalls give them outstanding handling and lighter, more positive steering.

We tell them the S-211 is the safest tyre you can have on a family car in the wet.

We tell them that our own – and independent – tests prove the S-211 not only grips superbly, but goes on gripping when the competition is aquaplaning.

We sell our tyres as if their life depended on it.

## Firestone S-211 Steel Radial



Mr and Mrs Average, we are told, do not find tyres interesting. They're just bits of black rubber that wrap around car wheels.

Better, therefore, not to trouble people with facts about them. Give the public a gimmick, a bit of a giggle, that's the only way they will notice you.

We wonder whether that thinking has really done our industry and its products much good over the years. Or if, in the end, it has helped the customer to tell good from bad.

As you've seen, we're not advertising the Firestone S-211 for laughs. We believe a car tyre is just about the most serious purchase anyone ever makes.

And to the man or woman who finds that an exaggeration, we would say this.

Name one other thing you buy that you trust with so much – not just now and again, but 365 days a year, in all weathers, all road conditions, often at very high speed.

You can be an excellent driver. Your anticipation can be superb, your reflexes like lightning.

Your steering, suspension and brakes can all work perfectly.

And your tyres can still kill you, and everyone you hold dear.

We'd add this. Firestone is the second-largest tyre company in the world. Every



## UK NEWS - LABOUR

## Agricultural interim claim turned down

By Pauline Clark, Labour Staff

THE Agricultural Wages Board yesterday turned down a claim by farmworkers' union leaders for an interim pay increase after employers' leaders condemned the demand as "totally unacceptable."

The claim, for an unspecified increase to compensate for the effects of inflation on a recent national wage increase to Britain's 300,000 farm workers, was presented by Mr. Jack Boddy, general secretary of the National Union of Agricultural and Allied Workers.

The farmworkers received an average 21 per cent pay rise last January. But farmworkers argue that they are particularly hard hit by public spending cuts affecting school meals, school transport and other services.

The move for more money for farmworkers, whose average basic pay went up by £10 to £58 for a 40-hour week this year, was prompted by an interim award of £3.25 a week for Scottish farmworkers from next month.

Mr. Simon Gourlay, chairman of the National Farmers' Union employers' committee, said that farmers "fully shared" their employees' worries about the effects of inflation but a further increase on top of last January's award was totally unacceptable.

He said farmers could not afford the rise after two years in which income in cash terms had declined nearly 9 per cent or 29 per cent in real terms.

## Post Office engineers reject 'maximum' offer

By Nick Garnett, Labour Staff

POST OFFICE engineers have rejected an annual wage offer which the corporation says is the maximum it is prepared to make.

Officials of the Post Office Engineering Union are now discussing with those of the Society of Post Office Executives what further steps to take in pursuing their claim.

The society, representing supervisors, has rejected the same pay proposals.

Negotiators for the POEU, with 126,000 members, are

likely to seek a mandate at the union's annual conference next week to try to continue negotiations.

The Post Office's difficulties have been compounded, however, by the Union of Post Office Workers which is now seeking a pay rise for its 50,000 telecommunications members which is 5 or 6 per cent above the corporation's offer to its engineers.

The Post Office has made two sets of pay proposals to engineers and supervisors in telecommunications. One gives a 15 per cent increase on all rates from July 1, the settlement date, together with a further 2 per cent as continuation of last year's productivity bonus.

The alternative provides for a 14 per cent increase on all rates from July 1, the 2 per cent productivity bonus and a further 3 per cent on all rates from April 1, next year.

The offer in overall terms is similar to that agreed by the UPW for its posts members.

The POEU, however, is seeking

a rise of about 23 per cent in line with the expected inflation rate next month, together with a new productivity scheme.

The annual UPW conference last week instructed its negotiators to seek a similar rise for its telecommunications members, who are also due to settle in July.

The Post Office's pay offer is separate to proposals to all its telecommunications unions for a common wage structure.

Leaders of the Post Office group executive of the Society

of Civil and Public Servants has agreed specific proposals on this giving increases of up to 25 per cent outside the normal wage settlement for its members.

The UPW conference declined to make any decision for the moment on the issue of common pay bargaining which will now almost certainly go to a special conference.

The POEU has agreed to common pay bargaining in principle but has rejected the specific proposals put to it by management.

## Schools disruption continues

STRIKES by Scottish teachers continued yesterday, with nearly 8,000 staff starting another three-day stoppage.

Worst disruption is expected today when members of the second largest teaching union, the Scottish Secondary Teachers' Association, hold a one-day, all-out strike.

Yesterday, almost 250,000 pupils were being affected for the second week running by action by members of the Educational Institute of Scotland and the National Association of Schoolmasters Union of Women Teachers.

Action is being stepped up this week in the areas where Mr. George Younger, Scottish Secretary, and Mr. Alex Fletcher, Scottish Office Minister for Industry and Education, are MPs—Ayr and Edinburgh North.

The executive of the EIS—the largest teaching union in Scotland—is to hold an emergency meeting today to examine proposals for long-term action.

The strike action, which this week will affect more than 250 schools, comes after teachers rejected a 14 per cent pay offer

## Problems in economy 'encourage poor industrial relations climate'

By Philip Bassett, Labour Staff

BRITAIN'S POOR economic performance is creating an unfavourable industrial relations climate, Mr. Jim Mortimer, chairman of the Advisory, Conciliation and Arbitration Service, said yesterday.

Mr. Mortimer, introducing in London the service's fifth annual report, said all the indicators of economic performance were pointing in the wrong direction. "We do not believe this is a favourable environment for industrial relations."

He said: "Many of our industrial relations problems exist, in my view, because of the underlying economic problems of our society."

Industrial relations were strongly influenced by the economic environment. Rising living standards depended on industrial and commercial growth.

"But there is no growth in our economy; instead there is contraction." The present high rate of inflation, rising unemployment and the large balance of payments deficit were three factors helping to create a poor industrial relations climate.

ACAS also pointed to the

impact of the return of free collective bargaining on industrial relations. Mr. Andy Kerr, chief conciliation officer, said the movement away from pay policy restraints had contributed to both the incidence and length of recent disputes, including the ITV and engineering strikes last year and the 13-week steel strike this year.

Mr. Kerr, who took a major part in the service's repeated efforts to end the steel strike, said ACAS was surprised at the length of the dispute. A higher pay offer tabled earlier might well have improved the atmosphere markedly, and there were also later differences between the unions involved.

Few ACAS officials are likely to regret the ending of the service's statutory duty to deal with union recognition claims, which will be repealed when the Employment Bill becomes law.

The annual report for 1979 points to "an increasing number of cases in which delay and non-co-operation by one of the parties is effectively preventing the service from carrying out its statutory duties."

About 90 of the 339 recognition cases being dealt with at the end of the period covered by the report fell into this category. In half of these cases ACAS has received "either an outright refusal to co-operate or only partial co-operation, and in the remaining cases has encountered various forms of prevarication or delay."

The report acknowledges that one of the most frequent problems is a lengthy discussion with employers who question the neutrality of the service's proposed recognition questionnaire or its ability to ascertain properly employee's opinions.

ACAS has had four years' experience of the statutory recognition procedures, involving 1,542 recognition references.

Settlements of most of the references mean that by the end of 1979 collective bargaining had been extended to cover 62,000 workers as a direct result of the legislation.

## Random drink tests urged

ALCOHOL TESTS on motorists should be carried out at random, says the National Council on Alcoholism.

The council, commenting on the Ministry of Transport's consultative document on drinking and driving, said the Government should contemplate random tests as the most effective way of enforcing the drink-driving law.

## Strike at Manchester airport

Financial Times Reporter

DELAYS and possible diversions were expected yesterday at Manchester airport after aircraft handlers staged a 24-hour strike.

About 100 people employed by Servisair, including cleaners and the men who tow aircraft across the tarmac, walked out in protest over a pay dispute.

The workers, members of the Transport and General Workers' Union, have rejected a pay offer of 21.25 per cent.

Servisair spokesman Mr. Norman Edwards said yesterday: "We are due to handle 29 aircraft up to midnight, some of which can be handled without assistance."

The company handles about half the aircraft using Ringway. British Airways is the other main handler, but is not affected by the dispute.

The majority of passengers due to fly out of Luton airport yesterday were again transferred to Stansted because of industrial action by manual workers over pay.

The dispute, which has involved about 300 workers, including baggage handlers and security staff, follows a report by the Clegg comparability commission into municipal airport workers' pay.

The report awarded substantial pay increases but left individual unions and managements to fix the grading of specific jobs into new pay grades specified in the report.

## Government attitude to TUC endorsed

By Philip Bassett, Labour Staff

THE GOVERNMENT is right to leave the TUC out of decision-making, Sir John Boyd, general secretary of the Amalgamated Union of Engineering Workers, said last night.

Sir John, a leading TUC moderate, said that leadership was a responsibility the Government could not share or delegate.

"The Government should consult the trade unions, but the responsibility of taking decisions should rest with no one other than the elected leadership of the country."

He admitted that few trade union leaders on the TUC General Council were likely to share his views. His statement is likely to increase friction in the General Council over the TUC's role in government.

Speaking on BBC-TV's Platform One programme, Sir John said that he was "not the least bit perturbed" about the present distance in the relationship between the TUC and the Government.

A Conservative Government could not be expected to operate Socialist policies, and while he would like the TUC to be consulted more often, he did not want to share government with the Tories.

He thought the "vast majority" of the TUC's 12m affiliated members were unhappy and very fearful of the way the country was being run, but he agreed that they were "not fearful enough" to demonstrate in the way suggested in the ideas behind the TUC's recent Day of Action.

On pay he said that he had no strong objections to a new Government wages policy, and denied being out of step with the rest of the TUC General Council in holding that view.

He said that the history of free collective bargaining in this country was not a noble one.

Many of the imbalances and inequalities which existed today were the product of decades of such bargaining "where the strong took what they could get and the weak were just pushed to the wall."

Sir John said that there was a greater political maturity than ever before in the AUEW.

## MacGregor hints at more steel job losses

By Alan Pike

MR. IAN MacGREGOR, chairman-designate of the British Steel Corporation, yesterday urged employees to face the facts about their industry, as union leaders and Labour MPs attacked suggestions that redundancies might have to be accelerated.

"We are looking for the opportunity for the employment of the maximum number of people. But it would be a cruel hoax to maintain people in jobs that may be destined to disappear because they cannot meet market demands," Mr. MacGregor said during a visit to the Shotton works, North Wales.

Mr. MacGregor said he wanted to inject realism into the industry. Employees had to look at the facts and not at an element of fantasy.

During a visit to the Port Talbot works on Monday, Mr. MacGregor suggested that there might be a need to speed up BSC plans to shed some 50,000 workers. He commented at Shotton yesterday that plans made by BSC a few months ago might not now meet customer requirements.

Mr. MacGregor says no new decisions on cutbacks in BSC will be made until he has completed a fact-finding study but his comments have dismayed union leaders. They had hoped the new chairman would put the closure programme on ice while they had further discussions with him.

Leaders of the Iron and Steel Trades Confederation—the industry's largest union—are preparing an alternative strategy for BSC which they will send to Mr. MacGregor next month. This will argue that there is a case for growth rather than contraction in the expansion based upon a much more aggressive sales and marketing policy.

Mr. MacGregor rejected suggestions that he should have met union leaders before commenting on the future of the industry.

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## More for one and two-year investors

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Rate of Interest	Initial Contracted Term	1 year	2 years	3 years	4 years	5 years
1st year	% p.a.	11.00	11.25	11.50	12.00	12.50
2nd year	% p.a.	11.25	11.50	11.75	12.00	12.50
3rd year	% p.a.	11.50	11.75	12.00	12.25	12.50
4th year	% p.a.	12.00	12.25	12.50	12.75	13.00
5th & subsequent years	% p.a.	12.50	12.75	13.00	13.25	13.50

\*Interest rates based on a Share Account rate of 10.50%. These rates may vary but the Bondshare differential above normal share rate is guaranteed: 1 year 0.50%, 2 years 0.75%, 3 years 1.00%, 4 years 1.50%, 5 years 2.00%.

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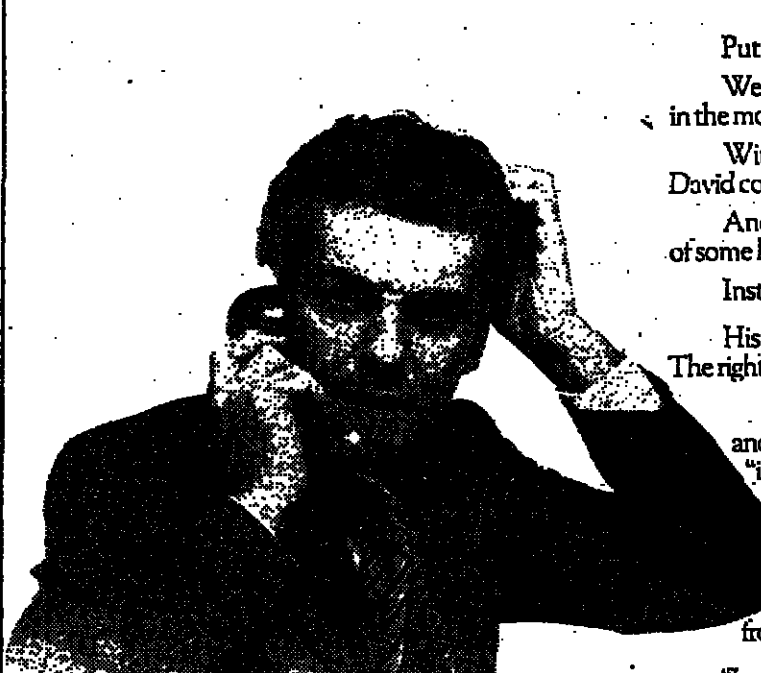
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"Let me get this straight, said David. 'You're my adviser. And you're actually advising me against more life insurance?'"

Put like that of course, one had to laugh. We were talking about arranging for future income in the most tax efficient way. With his own business doing well, David could easily invest £100 a month. And he had automatically assumed that an endowment policy of some kind was what I would suggest. Instead, I told him he could do better. His insurance needs were amply covered. I'd seen to that. The right thing now was to concentrate on high yielding investment.

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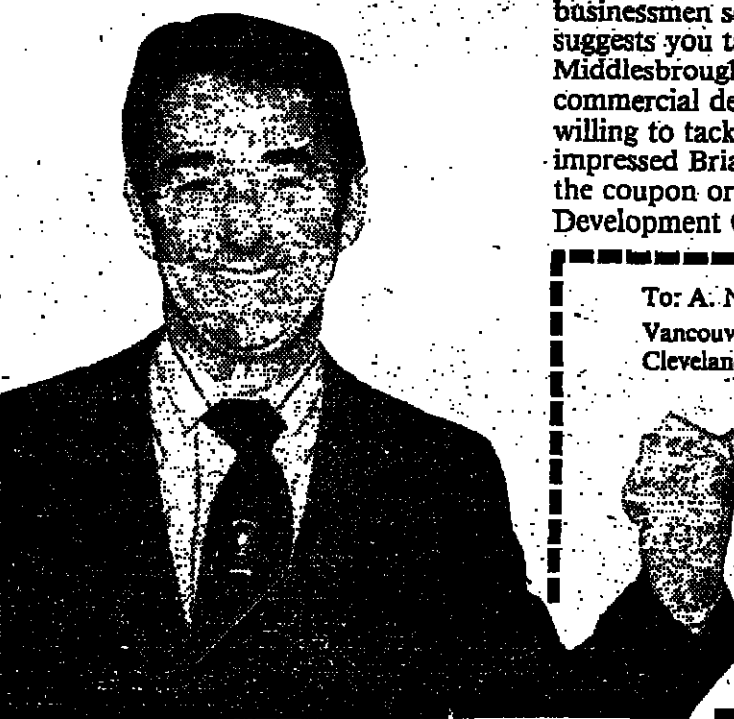
"I see," said David thoughtfully. "They sound as if they understand me, those Sentinel people."

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The one to watch in the 1980s

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## Madrid or Middlesbrough?



Brian Clough is in Madrid preparing for tonight's European Cup Final. Soon it will be over. For businessmen seeking a longer term investment, Brian suggests you take a look at his home town of Middlesbrough. It has sites available for industrial and commercial development, and a work force ready and willing to tackle most jobs. Find out for yourself what so impressed Brian on a recent visit to the town by returning the coupon or ringing Don Brydon, Industrial Development Officer, on 0642 245432 extension 3756.

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# Family Favourite



## Peugeot 504 Family Estate

The Peugeot 504 Family Estate is the favourite for all the family. Because with its *three rows of forward-facing seats* it's the sumptuous solution to your transport problems.

The cloth-upholstered seats are deep and comfortable, because more comfort for the family and their friends means a more relaxed atmosphere for the driver, and a safer journey for everyone.

The 504 Family is big, comfortable and simplicity itself to drive, with *power-assisted steering* to make light work of town traffic and parking. The rally-proven 1971 cc engine is as smooth as it is powerful, and gives the Family a *top speed of 101 mph*.

Above all, the 504 Family is a really practical car. The wide-opening doors mean easy access, and childproof locks built into the rear doors mean your children won't get out unless you want them to. And because there's real space in both the rear rows of seats, the Peugeot Family is as popular with your friends and business associates as it is with your family. Even with eight people and their luggage, the 504 Family will still give



Three rows of forward facing seats (Front seat head restraints not shown).

you a superb ride—thanks to the extra-long wheelbase and the specially developed suspension system.

If you're towing a boat, caravan or horsebox, the 504 Family has the power to cope with a load of up to 1½ tons (1500 kg). And remember there's also a diesel version, to give you the same passenger comfort advantages and the same Peugeot reliability with extra economy. On the continent, of course, diesel can save you over 40 per cent of your fuel bills, and that's before you take into account a fuel consumption figure of 37 mpg.\* Instead of making the family fit the car, we've made the car to fit the family. But with all that style and comfort, the 504 is still totally practical. Even with the third row of

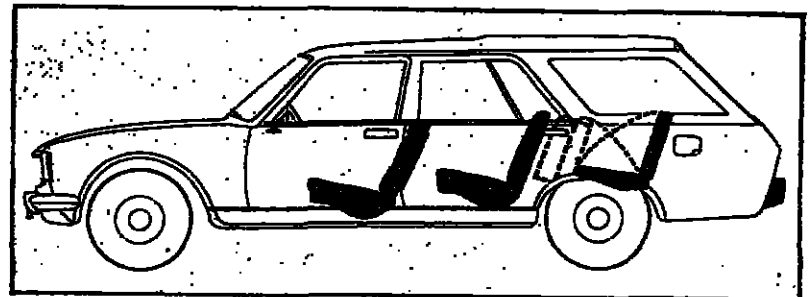
seats in use, there's still 15 cu ft of space for luggage (with the spare wheel stowed under the boot floor). And when you don't need that third row of seats, fold it down for 34 cubic feet of space.

With more than a million cars sold throughout Europe, the Peugeot 504 has been proved to be as rugged as it is elegant. That's because it's been built to last, using the finest materials available. To back this, there's a twelve-month unlimited mileage warranty, which we offer confidently, thanks to our detailed quality control procedures. (One in eight of all factory staff are engaged exclusively on quality control.) Peugeot strength also means main services only once every 10,000 miles\*\*—so your car stays on the road, not in the service bay.

The 504 Estate range also includes other large-capacity hard-working estates, with diesel or petrol power. So if you don't need the sophistication of the Family, you'll still find a 504 to suit you.

But if you do need space, style and comfort to spare, then the 504 Family is the car for you. Why not take the family for a test run today?

\*\*Diesel service intervals: 6000 miles



\*Fuel consumption

	at a constant 56 mph (90 km/h)	at a constant 75 mph (120 km/h)	urban driving
Family Estate —manual	35.7 mpg (7.9L/100 km)	26.4 mpg (10.7L/100 km)	21.5 mpg (13.1L/100 km)
—automatic	31.0 mpg (9.1L/100 km)	24.1 mpg (11.7L/100 km)	23.3 mpg (12.1L/100 km)
Family Diesel Estate—manual	37.7 mpg (7.5L/100 km)	27.2 mpg (10.4L/100 km)	30.1 mpg (9.4L/100 km)

Petrol consumption in accordance with official Government test procedure



Finance and leasing facilities available from Peugeot Finance.  
Anglo-French Finance Company Limited.

I am interested in the Peugeot 504 Family Estate.  
Please send me details.

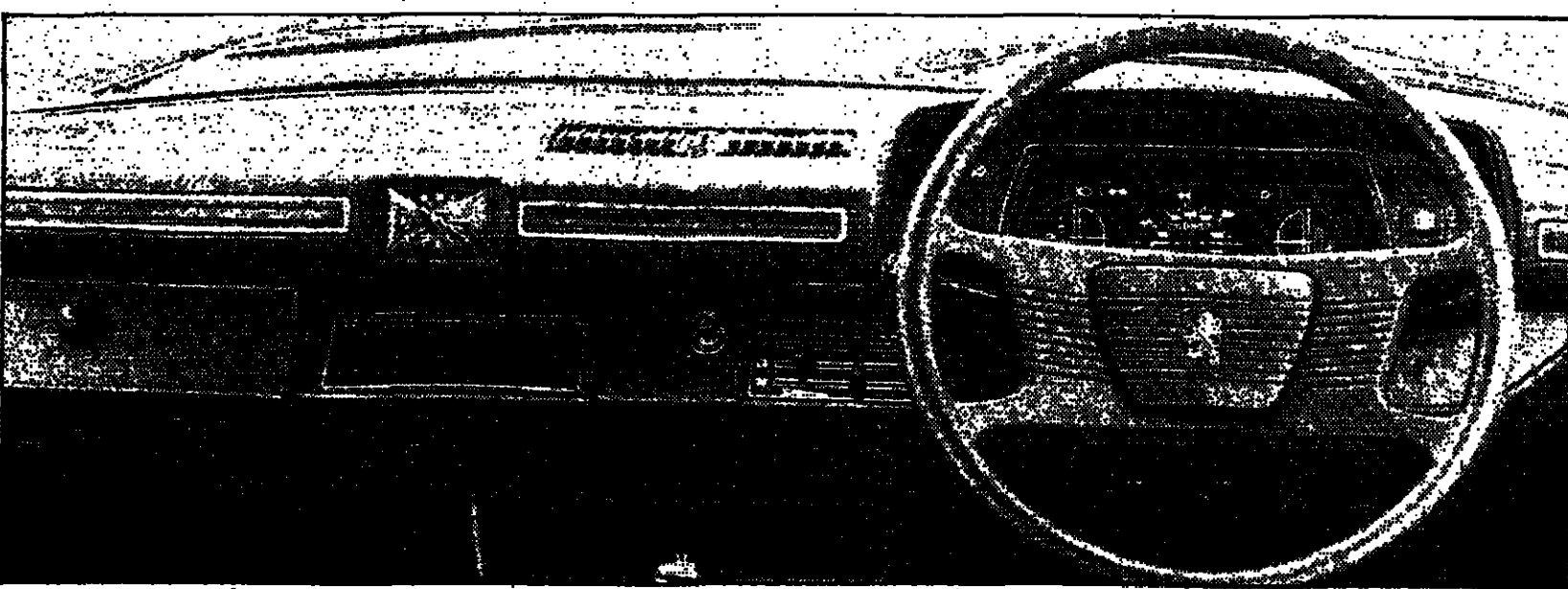
Name: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

Tel: \_\_\_\_\_

Send to: Customer Enquiries,  
Peugeot Automobiles (UK) Limited,  
333 Western Avenue,  
London W3 0RS.  
Tel: 01-993 2331





# Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

## ● MATERIALS

### Retards flame spread

FLAME retardant acrylic PVC alloy sheet of high thermoformability, strength and rigidity is to be offered in Europe by Rhom and Haas under the trade name "Kydex".

More breakage-resistant than conventional thermoformable materials and having superior rigidity when deeply-drawn thin-walled parts are formed, it is being used extensively in seating for aircraft and mass transit vehicles, wall covering and transport linings, electronic equipment housings, light-

weight suit-cases and material handling and construction equipment enclosures.

Kydex is available as an opaque sheet with one surface pretreated with a hair-cell grain effect. It can be obtained in a wide range of standard colours and thicknesses, in sheet or roll form and is price competitive with rigid PVC or flame retardant ABS.

Rhom and Haas, Lennig House, 2 Mason's Avenue, Croydon, Surrey, CR9 3NB. 01-686 8844.

## ● SAFETY

### Wool lessens fire risk

WITH REGARD to current concern with safety regulations for upholstered furniture, the International Wool Secretariat is anxious to inform the public that wool is naturally flame-resistant, and that it is also available to domestic furniture manufacturers.

The fibre is used in all forms of transportation — aircraft, railways — ships — and in public buildings, shops, hotels and offices. In many situations, in fact, where public safety is of vital importance.

To enable wool to reach the stringently high standards required, technologists at the IWS's technical centre at Ilkley, have developed a process called ZIRPRO. This conforms to BS 5852, FAA 25.853 for aircraft furnishings, and the Radiant Panel Test BS 475 Part 1 (Class 1).

The ZIRPRO finish is integrated into the fibre, does not affect its handling and is fast to 50 washes and 50 dry cleans and, because it is used at dye-bath stage, there is very little extra cost.

Although no international regulations exist, wool furnishings treated with "Low Smoke Zirpro" pass two important world-wide tests — Boeing and Airbus Industrie (France) proposed standards for smoke emission and toxicity of combustion products.

A number of major weavers and domestic furniture makers in the UK are making and using the pure new wool upholstery cloth. Their names are available from the IWS at Wool House, Carlton Gardens, London, SW1 (01-930 7300).

## ● METALWORKING

### Aids production of accurate castings

AFTER SEVERAL years' work and step-by-step testing the Sterling Metals division of Birmid Qualcast group has developed a CO<sub>2</sub> core-making process for volume production of large, accurate castings like cylinder blocks.

The big attraction of the CO<sub>2</sub> process, which has been known since the last century, is its cheapness allied to excellent casting finish. But up to now it has been confined either to small products or to large ones, like lathe beds, with loose tolerances.

The main problem for large castings has been to achieve consistent quality of casting finish by liquid refractory coating of the synthetic green sand mould. This has a very high moisture absorption rate, being sensitive even to a change in humidity, and it has been extremely difficult to avoid imperfections in the finished casting.

The Sterling Metals solution is to circulate the liquid in a dipping tank so that while solids are kept in suspension, unwanted particles are filtered out. The core is based on a binder of sodium silicate and sand through which CO<sub>2</sub> is blown. Chemical reaction converts it to sodium carbonate which cures in 10-15 secs, appreciably quicker than by the more usual resin mixes.

The next step was to buy or devise equipment for volume output of consistent quality — the iron foundry turns out some 200 tonnes a week of castings, mainly diesel engine blocks.

Sterling settled on a French Osborn-Pneulec core blower, but could find nothing suitable in the way of a rotary table for the core boxes. So it designed and built one itself at a B Q subsidiary, Pneulec. This is an eight-station circular machine which has the useful attribute of indexing past empty stations if only four are being used.

Productivity has soared to 135 cores per man per shift compared with a previous 70 and there has been a reduction in manning. Some 3,600 cores an eight-hour shift are regularly being produced.

The new process is part of a £1.25m modernisation of the iron foundry which by the end of the summer will see six Osborn-Pneulec machines in operation and a further significant saving in manpower. Birmid Qualcast is now in a position to take orders for the core-making equipment.

Inquiries to Pneulec, Clapgate Lane, Quinton, Birmingham B32 3EB.

PETER CARTWRIGHT

### Longer life saw blades

BECAUSE IT believes there is a growing market for longer life circular saw blades for power tools, Black and Decker introduced earlier this year a conventional steel blade with special tungsten carbide tips.

The special foil backed tips are a result of many years' research by a leading European supplier of tungsten carbide.

Cermet of Luxembourg. In cutting and wear part applications, tungsten carbide gives greatly extended life, invariably resulting in an overall reduction in cost, says the company. With fine grades and careful machining, the material lends itself to very close tolerance tooling and moving part applications.

The modular options for image handling can be literally plugged in to the console front panel by virtue of a data bus, and this also means that the modules can be put wherever the user desires for ergonomic convenience.

The SEM 505 can also accept both an energy dispersive and a wavelength dispersive spectrometer, allowing a variety of elemental analysis to be performed. A separate control system will operate the spectrometers in combination and there is a special goniometer stage which provides six independent movements, with re-location of any point on the specimen within two microns.

Pye Unicam is at York Street, Cambridge (0223 358866).

## ● HEATING

### Annealing costs cut

ALTHOUGH OIL- and gas-fired brick furnaces have been commonly used in the annealing of wire, fuels used in them are becoming increasingly expensive and, if energy costs continue to rise, an alternative answer — the electrically-fired low thermal mass furnace — can produce dramatic reductions in cost, says Cooperheat, 164, Lord Street, Southport, Lancs. (0704 33633).

Two electric furnaces, designed, built and commissioned by the company, are already working in the Sheffield area, resulting in a saving (on current energy costs of using oil or gas-fired brick furnaces) of about £11 a ton.

The car bottom-type furnaces, which are fitted with recirculatory fans, are capable of heating a 20-tonne load alloy steel wire coils to 680 deg. C in four hours; this temperature being maintained for 15 hours — the consumption for the whole cycle being only 3600 kWh. This is equivalent to 180 kWh per ton.

Based on present energy prices this represents full heat treatment of less than £4 per ton (significant saving when compared with the £15 a ton normally incurred where oil/gas-fired brick furnaces would be used).

Since the furnaces are in daily use, it is anticipated that at Kiverton Park Steel and Wire works, for instance, an annual saving in fuel costs of £80,000 will result.

The company says that in this example, the capital cost of installing the furnaces could be recovered in just over a year.

Wire process industry and post-weld heat treatment areas will, of course, save even more, say the company, if energy costs continue to escalate.

## ● HANDLING

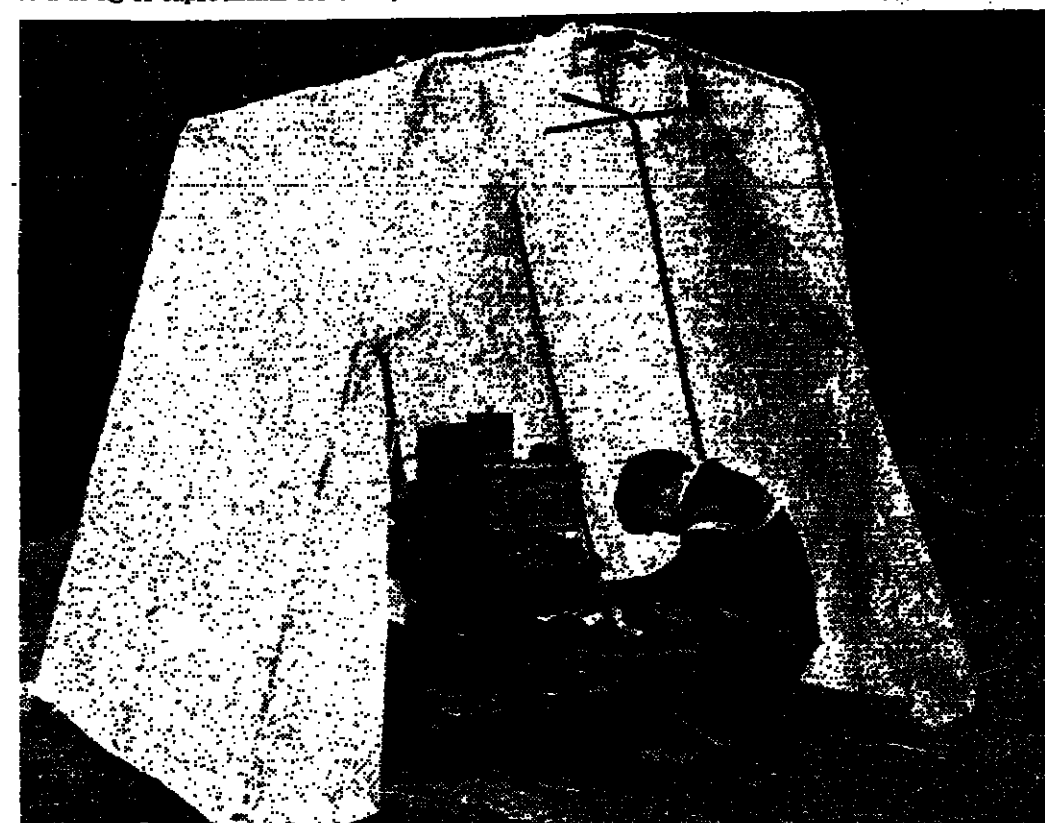
### High-speed counter

METAL DISCS such as coins or blanks with diameters from 15 to 45 mm and thickness from 1.0 to 3.5 mm can be counted at speeds up to 6,000 per minute using the model 606 machine from EVD Engineering, Cots-wold Street, London SE27 0DP. It has a bulk hopper able to hold 40 kg of cupro-nickel coins

or equivalent volumes of other items. There follows a high-speed feeding unit and an infrared counting device, adjustment for different sizes being carried out on four handwheels. The count appears on a pair of five-digit LED displays, one for each of two independent photocells, which have to agree before the pre-set batch is accepted. The machine also has dual output chutes so that while the count is under way on one channel, the other can be prepared with a new bag by the operator. Batch sizes can be from 100 to 99,998.



CASS Electronics Esham 36266



This useful collapsible shelter is being offered to local authorities, building and civil engineering contractors and any company which has an outdoor job which must be done whatever the weather conditions. The cover is made from translucent plastics material and together

with the lightweight frame the shelter weighs 84 lbs. It all folds up into an easily transportable package. It is marketed by International Quality Control Laboratories, The Square, Bakewell, Derbyshire (062 581 3447).

## ● INSTRUMENTS

### Versatile electron microscope

GREAT EASE of image manipulation and a wide variety of optional modules are the keynotes of an advanced scanning electron microscope from Philips, the SEM 505, available in the UK from Pye Unicam.

In its "full house" form the instrument has two viewing screens and a third unit for photographic recording, although the microscope is available with one viewing and one photographic screen in the basic console.

In conjunction with multi-function detector (MFD) arrangements in the chamber this results in considerable flexibility in regard to what can be put on the screen, and all the viewing can be at TV

scanning speeds giving a conventional but high quality television picture. The MFD technique allows images to be generated from transmitted electrons, backscattered electrons or cathodoluminescence and these signals can be electronically mixed on one of the screens, giving what amounts to almost complete flexibility in the way in which the specimen is illuminated, particularly in terms of the shadows in the image.

By using the two screens, or a split image on one, the picture can be viewed at two different magnifications at the same time. With a relatively low magnification on one screen a moveable, variable size electronic view-

finder can be moved to a position of interest and the area it occupies made to fill the whole of the other screen. A continuous range of zoom up to eight times is provided, even at TV rates, and images obtained from two different detector systems can be simultaneously compared.

In the chamber, up to four interchangeable detector heads are mounted in an array under the final electron lens, and (except for cathodoluminescence) use scintillators for conversion to light followed by fibre optical transmission to a photomultiplier and thence to signal processing. Each PM tube handles two detector/fibre outputs via an optical switch. A

similar arrangement is installed under the specimen for transmission work.

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The SEM 505 can also accept both an energy dispersive and a wavelength dispersive spectrometer, allowing a variety of elemental analysis to be performed. A separate control system will operate the spectrometers in combination and there is a special goniometer stage which provides six independent movements, with re-location of any point on the specimen within two microns.

Pye Unicam is at York Street, Cambridge (0223 358866).

## ● DATA PROCESSING

### Usage study completed

EURODATA 79, the huge study of the usage of data communications in Western Europe, has now been substantially completed at Logica. Draft results and reports have been delivered to the telecommunications administrations (PTTs) of 17 countries of Western Europe, and are now going through the acceptance procedure. Under a newly signed agreement, the results will also be available commercially once acceptance is completed.

Logica and the Eurodata Foundation have now signed an agreement which will make a series of three reports available commercially. The first report will be essentially the same as that now delivered to the PTTs. The other two will involve further analysis of the mass of information gathered for the study to produce reports on the terminal and data communications equipment markets respectively.

The Eurodata 79 study has already shown that data communications is an even bigger and more rapidly growing business than previously thought.

It found a total of almost 400,000 modems and other data communications connections in Western Europe at the beginning of 1979. These are being used by more than 600,000 terminals.

By 1987 there are expected to be over 1.6m data connections and almost 4m business terminals in Western Europe. The study also foresees another 3.7m TV sets adapted to receive Prestel and other viewdata services in private homes.

The study covers the following countries in Western Europe: Austria, Belgium, Denmark, Finland, France, German Federal Republic, Greece, Ireland, Italy, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the UK.

Logica on 01-637 9111.

## ● PROCESSING

### New mixing machine

SOME OF the latest technological innovations in the field of solids mixing and processing are said to be incorporated in a new mixing machine to be marketed by Babcock Gardner (a subsidiary of Babcock International) of Bristol Road, Gloucester GL1 5RP.

It has been called the Babcock Gardner "E" Mixer-Processor and is a horizontal batch mixer for powdered and granular materials. Machine capacities are from 0.5 to 10 cubic metres.

The machine can also be used for liquid addition and paste mixing. As a processor, it can heat/cool/dry/coat and physically or chemically treat powdered or granular materials.

The company says the unit can be adapted for low or medium shear rates, particle size reduction and viscous liquid mixing. Options include custom-designed covers for inlets, shaft sealing arrangements, jacketed vessels, together with a choice of construction materials and finishes.



## Choosing electricity makes sound business sense

Derek Melven, managing director of Aylesbury-based TRW-United-Carr, doesn't take decisions without thoroughly analysing the relevant facts and alternatives.

So before deciding on the right energy source for a new plant installation, Derek took advice from his local Electricity Board's Industrial Sales Engineer. The company which manufactures fastening devices for the automotive industry, now uses electricity in four key areas.

A compressed air drying unit keeps pneumatic systems going, electric heat treatment furnaces have increased output by half, automatic electroplating gives closer quality control and electric

fork-lift trucks have greatly improved working conditions.

"Working experience is proving that we made the right choice. Increased output, better quality control and improvements in working environment are all coming out very close to forecast", he says.

If you'd like to improve your company's operating efficiency, talk to an ISE at your local Electricity Board. His advice and help is free.

**INVESTELECTRIC**

The Electricity Council, England and Wales

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# FINANCIAL TIMES SURVEY

Wednesday May 28 1980

## REPUBLIC OF MALDIVES

Fourteen years after independence from Britain, this far-flung Indian Ocean archipelago is opening up to the outside world faster than ever before. Although President Gayoom has introduced political liberalisation, the economy is still struggling and the benefits of organised tourism have yet to reach the majority.

### A city state in the tropics

By Larry Klingner

THE MALDIVES ISLANDS are like a vast city-state, a tropical Venice that was never rich, with not one lagoon but thousands, and canals whose widths are measured not in feet but miles.

Its politics could be those of Renaissance Italy, where the expected punishment for political crime is banishment to a distant island, and where an elite of families continually strive for power, a struggle that culminated this year in an attempted coup involving the hiring of a band of foreign mercenaries.

The Republic of Maldives is a 500-mile archipelago of coral atolls in the Indian Ocean southwest of Sri Lanka. It is a nation comprising 41,500 square miles, of which about 98 per cent is sea. Of its 1,200 tiny islands, about 200 are inhabited. The population of less than 150,000 is thus spread very thinly indeed, with the excep-

tion of Male', the capital, where about 30,000 live on a single square mile.

It is a country of outstanding beauty, giving credence to virtually every tourist brochure cliché used to describe a tropical island: tall palms arching over blindingly white beaches, clear green lagoons gliding out to the reefs, where the blue of the deeper sea is edged by the foam of broken surf; an underwater world of coral and countless colourful fish.

The Maldives is also a poor country, statistically among the 20 poorest in the world. However, its poverty is mitigated by special circumstances.

It is generally thought that the Maldives were settled about 2,000 years ago by the same Aryan race of northern India which migrated to Sri Lanka. Originally Buddhist, the islands were converted to Islam in the mid-twelfth century. The first recorded sultan dates to 1153, after whom followed a succession of dynasties, and the Portuguese seized the islands for a few years in the 16th century before being driven out again.

#### Control

The islands became a British protectorate in 1887, an arrangement that culminated with the establishment of the Royal Air Force base on Gan island (although the British never had a presence in Male'). The sultanate remained intact, except for the short-lived First Republic of Amin Didi in 1963 and was finally abolished only as recently as 1968 with the

establishment of the present republic.

The last sultan, Mohamed Farhid Didi, became only a titular ruler while Ibrahim Nasir, his Prime Minister since 1957 and later president, gained increasing control as the architect of the modern Maldives. Nasir retired suddenly in late 1978 after 21 years of rule and was succeeded by the scholarly young Minister of Transport, Maumoon Abdul Gayoom.

Under President Gayoom, a former teacher, the changes have accelerated. His outward-looking policies have resulted in more diplomatic ties, more schooling and a more interested attitude by the Maldives to world affairs.

The late 1970s were a period of expansion and development for the islands. A satellite station to increase links with the outside world opened in May, 1977, and Maldives International Airlines, managed under contract by Indian Airlines, was established later the same year. In 1978 the Maldives were admitted to the World Bank, and TV Maldives began transmissions.

Because the country has remained virtually self-governing throughout its long history, it has retained a stability and cohesion unmarked by colonialism and the post-colonial upheavals that have characterised much of western Asia.

Nor has it ever been dominated by foreign companies, which has led it to seek practical solutions to its particular problems, such as establishing its own shipping line, Maldives Shipping. And its one natural resource of note,

the skipjack tuna, is in such abundance that there are no signs of serious malnutrition among the islanders.

However, life can be hard. In the fishing industry (which accounts for nearly a third of gross domestic product and directly employs about 40-50 per cent of the working population), a man starts his day at 3 am and sails before sunrise, returning home on a good day at three or four in the afternoon but more often at about sunset.

For this effort the average crewman will earn less than the equivalent of £100 a year, which will be spent on imported rice and vegetables, improvements to his house (which in its final form will be a simple two-room affair of coral "bricks" with a corrugated-iron roof) cooking utensils, clothes and then some luxuries such as toiletries and toys for his children.

#### Access

Moreover, this low-income poverty in the atolls is worsened by the lack of social services.

The World Bank reports that all indicators relating to health show a situation much worse than the average for low-income developing countries. Access to safe water and health services is almost non-existent. Electricity is also almost unavailable except on the wealthier islands.

The situation in the capital is much better and many would say, including the present Government, too much better. For instance, 54 per cent of the people living in Male' have access to safe water, against only 5 per cent in the atolls,

and nearly 60 per cent of Male' homes have access to electricity, while the figure for the atolls is less than 3 per cent.

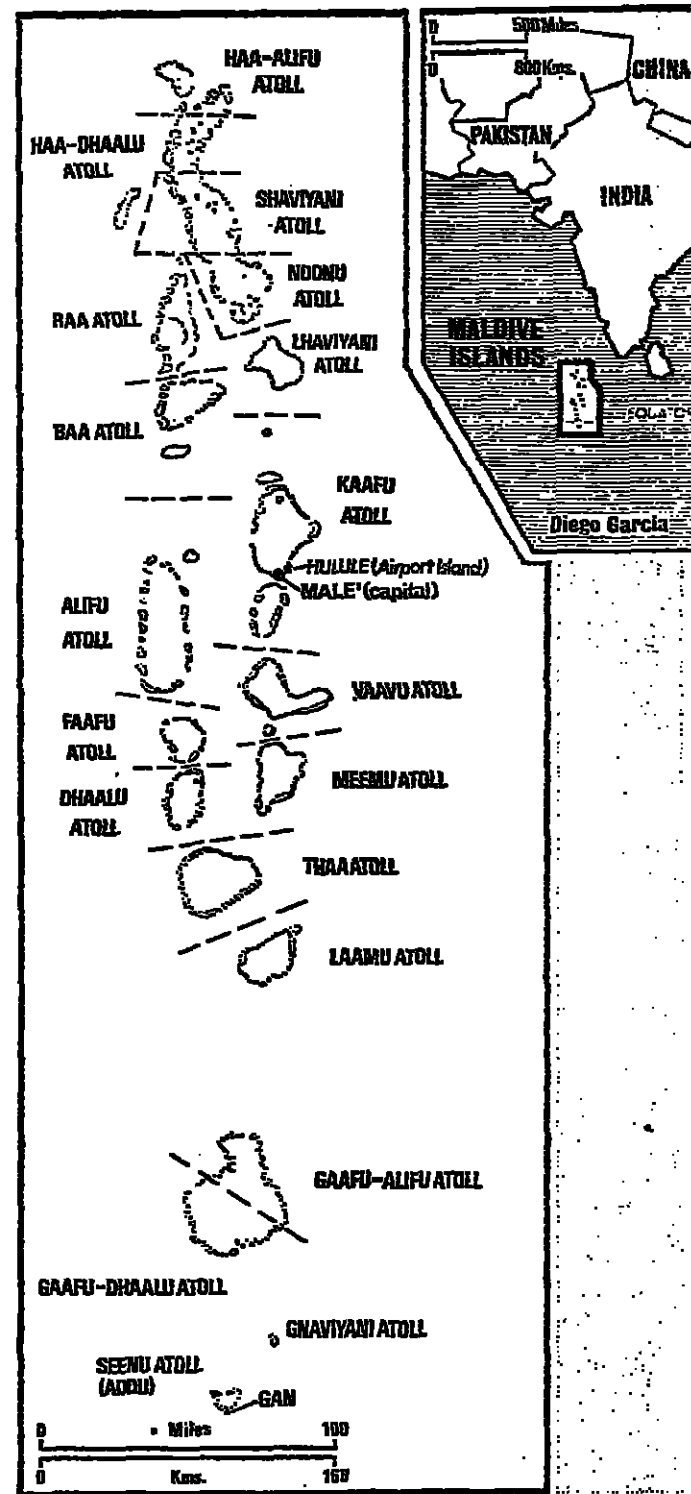
The gap in wages between city and country is also great. A shop assistant earns the equivalent of US\$240 a year plus food allowances. A bank clerk gets a minimum of \$640, and a skilled carpenter or mason, because of the boom in resort construction, can command rates that are the equivalent to a \$900 annual income.

In the 18 months of President Gayoom's rule, the country's economy has been opened to inspection by the International Monetary Fund and World Bank, and legislation has been drafted to establish a national monetary authority and statistics bureau. New investment guidelines are nearing completion that could lead to legislation including the country's first-ever law for private sector banking, and direct taxes (on tourist operations) have been introduced for the first time.

The capital's Hulule Airport, whose international traffic is now restricted to 737 flights from Colombo and southern India, is being expanded to take 707, Airbus and Tristar aircraft, which will open the country to direct flights from Europe, the Middle East and Far East.

Expansion in tourism near the capital is proceeding apace, with proposals being considered for the establishment of a second tourist centre on Gan. The fishing fleet is being rapidly mechanised and cold storage facilities constructed with the eventual aim of lessening foreign involvement in the industry.

BASIC STATISTICS	
Population (1978)	143,000
(Capital 30,000)	
GNP (1978)	US\$21m
Per capita	\$147
Government revenue (1979)	\$3.87m
Government expenditure (1979)	\$9.92m
Trade (1978)	
Imports	\$13.1m
Exports	\$4.1m
Trade with UK 1978	1979
Imports	£20,000 £57,000
Exports	£290,000 £196,000
Currency: Maldivian Rupee	
US\$1 = Rs2.93	(official transactions)
US\$1 = Rs7.50	(banks and shops)



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## REPUBLIC OF MALDIVES

The economy in the Maldives is presently based on fishing, shipping and tourism.



### FISHING:

From time immemorial fishing has been the occupation of a great majority of Maldivian men. The method of fishing has not changed, except now about 30% of the fishing fleet are mechanised. The method used is live bait fishing, where the fishermen catch small fish at dawn around reefs and fill the hold of the boat with the bait and sea water. After that, they set off to the fishing-ground. When a shoal of Tuna is found, the bait is thrown into the sea to attract the fish to the boat. The fishermen stand on the stage at the rear end of the boat and by using a rod and line catch the fish. The hook used on this line has no barb. So with the up ward jerk of the rod, the fish is pulled out of the water and dropped into the hold of the boat without having to unhook the fish. It is just one stroke. The length of the rod depends on the size of the shoal and how greedy the fish have become. Shorter rods are used when the bait is actively sought by fish and with the short rods the fishermen kneel on the stage and it takes about half an hour to three-quarters of an hour for three fishermen to catch as much as 500 fish, each weighing about two kilos. After the fish is caught, they come to the collecting boats where it is sold presently to Japanese buyers who freeze, store and later transfer them to their regular carriers to be sold in large Tuna Markets. The average fish landings of the pelagic varieties for the last three years was 11,500 metric tonnes. At the moment, fish is bought by Hoko Maldives Corporation and Maldives Nippon Corporation. Hoko Maldives Corporation sells their purchases in frozen form at world markets.

In Maldives, the fishermen after having caught the fish go to the collecting vessels and sell their fish to the collecting boats for cash which the Company has received for letters of credit opened with the Maldivian Government. So, the exporter in fact is the Maldivian Government.

Before the Japanese started buying fish, the skip jack and other varieties of tuna caught in the Maldives were dried after boiling

and sold to Sri Lanka. In 1972, the Sri Lanka Government decided to curtail the import of Maldivian Fish (the name by which the dried form is known in Sri Lanka) and Maldives was compelled to expand its markets and thus change the whole pattern of trade as well. Finally in 1977, the exports of this Maldivian Fish to Sri Lanka came to an end with only 990 metric tonnes being accepted by Sri Lanka. The highest quantity exported to Sri Lanka in a year was in 1971—5,300 metric tonnes of Maldivian Fish.

In 1977, Maldives Nippon Corporation opened a Canning Factory in Felivaru. The fishermen sell their catch to this factory at the same price that the collecting boats buy. The canned fish is marketed by Maldives Nippon Corporation and is sold to Europe and Canada.

### SHIPPING:

A fleet of 35 vessels, ranging from 1,000 to 16,000 tons dead weight, having an aggregate dead weight capacity of 190,000 tons is owned and managed by Maldives Shipping Limited, which is a 100% Maldivian Government undertaking established in 1965. These ships ply generally between South-east Asian countries and the Middle East and between India, Pakistan, Sri Lanka, Bangladesh and the Middle East. However, recently the trading areas have started expanding to Europe and South America.

The Company's profits are given to the Government which utilises them to supplement the country's food import bills.

All the crew and many junior engineers and officers are Maldivians.

For further details, please contact the  
Department of Tourism and Foreign Investment, Malé,  
Republic of Maldives. Telex: 66019 A/B Tourism MF.



## MALDIVES II

# Optimism about changes in the economy

UNTIL RECENTLY the management of the Maldivian economy was like the Maldivian diet: almost entirely fish with few complications allowed.

Fishing for the skipjack tuna has been the economic activity of the Maldives for many centuries and largely remains so, with an estimated 40-50 per cent of the population directly involved in the industry and with another 20-25 per cent associated with related activities.

And the management of the economy was also a rather straight-forward affair: it was tightly run from the top, under the rule of the sultans and more recently under the leadership of the republic established in 1968.

Decision-making was as highly-centralised as it could possibly be, and planned economic development was almost non-existent: the world abroad was virtually ignored except for the dried fish exports to Sri Lanka and the establishment of a state shipping organisation to reduce the cost of essential imports.

Thoughts of future economic benefit were confined basically to the desires of the small elite in the capital (the creation of tourist resorts in 1972), with little account taken of the possible aspirations of the people in the regions, who comprise about 80 per cent of the population. Now, all that is changing, and swiftly.

## Impetus

The transformation began in November 1977, when the Republic of Maldives joined the International Monetary Fund and the World Bank and got its official public impetus in the following November, with the coming to power of the present government.

On the day following his inauguration, President Maumoon Abdul Gayoom announced that a national agency would be established to create a National Plan, the country's first

serious attempt at co-ordinated economic development.

Then, in July last year, a World Bank mission visited the Maldives. Its initial, confidential report was completed towards the end of the year, and the revised version\* was published last month.

The country's economy is small, in fact it is almost microscopic by world standards. The World Bank estimates the 1978 Gross National Product at \$23m. Average annual income per head was put at \$160 and Department of Finance officials estimate that—even with better fish prices, the recent civil service wage rise, and higher salaries because of the expansion in tourism—it is unlikely to rise above \$200 this year.

However, it is this compactness, the lack of complication, that gives the authorities some justifiable optimism that their development activities will quickly bring results. There are few layers in the Maldivian economy through which to percolate.

For instance, in this tiny country with its almost 33 per cent import dependency, where consumer goods, particularly foods, are the main ingredient, any improvement in agriculture has an immediate effect. After only a few months of a programme to encourage small-scale chicken farming, the price of eggs (in a market noted primarily for its insatiable demand) actually fell.

But it is equally true that the country's severely limited resources could quickly become strained. The Maldives has neither the acumen and expertise of a Singapore nor the petro-chemical-based wealth of a Bahrain and therefore will have to continue to rely on external grants and soft loans to finance larger development.

Even small-scale initiatives can be costly. Ministers and other officials, who now make frequent visits to the regions, are not without concern what transport costs are adding to their departmental budgets. And in priority areas such as health and education, until Maldivians

can be sufficiently trained, costs will be substantial as long as the technicians must come from abroad.

Not long ago, when the aspirations of the wider population were largely ignored, the national budget (such as it was) seemed to have remained roughly in balance, with deficits made up by the printing of some extra money. Now, however, the national budget is moving increasingly into deficit, with debt servicing alone predicted to rise from the \$10,000 in 1976 to \$1.5m in 1985.

## Approach

The National Planning Agency is hoping to complete its proposals for a national plan (almost certainly to be of three-years' duration) by the end of next year. The agency, which has used its first months in the training of staff under the direction of an aid-assisted adviser seconded from the World Bank, now feels competent to approach the Government to determine national priorities and has scheduled for July a national conference of official policy-makers and representatives from the regions and four wards of the capital.

Among the issues high on the agenda will be: Fisheries: This sector accounts for about a third of the estimated \$24m gross domestic product and almost all of visible export earnings. The aim is to phase out foreign involvement in production (while in the interim providing the foreign companies with operational confidence).

Under a 50-year, \$3.2m International Development Agency loan, the fleet is being rapidly mechanised (engine replacing sail) and five repair and maintenance centres are being built, to add to the existing five.

A new large aid package has been negotiated and is expected to be announced within a few months' time that would provide for freezer collecting barges and major cold storage facilities. The finance to be made available is expected to

be about twice the amount of the IDA loan, and it is hoped that, when the project has been completed, the industry, especially in the south, will be much nearer to being completely in Maldivian hands.

Aid is also being actively sought to carry out stock research, not only for tuna but for whitefish, where there is thought to be extra potential. BANKING: The State Trading Office has been acting as national accountant and the Department of Finance left to oversee any embryonic monetary policy. Now new legislation is being put before parliament to establish the Maldives Monetary Authority, which will group together all Central Bank activities, including guidance of the private sector.

The commercial banks welcome the move, looking forward to the possibility of Government borrowing through the issue of securities and the possibility of official guarantees for certain types of lending in the private sector.

AGRICULTURE: What one Minister described as "the sleeping sector," this long-neglected area of the economy has been given the highest priority as part of the programme to develop the regions and cut dependence on imports. The Ministry of Agriculture has initiated planting and cultivation schemes and an extensive series of technical visits to educate the regions to modern methods and the potential benefits of small-scale farming.

Other projects include the distribution of seeds, and pest control, especially of crows and rats, the latter of which was responsible for damage to 60 per cent of last year's nut crop. In an aid-assisted scheme started last year, a programme of poisoning has led to a doubling of coconut yield within eight months.

\* The Economy of the Maldives: an introduction. World Bank South Asia Programme Department report No. 2739-MAL, April 2, 1980.

Larry Klinger

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## Closer links with Islamic nations

UNTIL THE establishment of a Maldives tourist industry in 1972, and with it the semblance of a regular air service from Sri Lanka, only the exceedingly sporadic calls of a naval vessel brought a foreign visitor to the capital island of Male.

Moreover, until 1978 the country had been under the tight 21-year rule of Mr. Ibrahim Nasir, who, with his family and other business associates, kept a firm grip on the country's affairs, discouraging outside interest. It is a criticism often heard of the former president that because he lacked the fundamental diplomatic skills, including fluency in a major world language, he was jealous of any Minister's success in foreign diplomacy.

Indeed, one currently high-placed official attributes the beginnings of his downfall with Mr. Nasir, and his eventual falling, to achievement abroad generally and more specifically to a suggestion that strenuously applied diplomacy would convince the British to do more to alleviate the economic effects of their withdrawal from the Gan air base. Mr. Nasir is said to have replied: "If the British want to go, let them."

However, it is true that it was under Mr. Nasir that an effort was initiated to establish closer links with the Islamic nations of the Middle East and western Asia, and under whom his country's course was set on a policy of non-alignment with the Super-powers.

The Government, in early 1978, rejected a Soviet offer to lease Gan for \$1m a year (which, incidentally, would have covered nearly a third of this dependent nation's import bill). By retaining the country's only world-scale political asset, the Government helped to protect its non-alignment, even if no country actually needed the use of Gan, there were those interested in keeping it for other and therefore willing for it Maldives to maintain its neutrality.

It is this insular historical backdrop, which goes back at nearly 2,000 years, that points up so clearly the recent quickening pace in Maldivian affairs. Mr. Nasir's successor, President Maumoon Abdul Gayoom, embarked immediately after coming to power in late 1978 on a new, active, outward-looking foreign policy. The Maldivian rapprochement with Britain was a good example.

Britain's use of Gan had always been troublesome. Negotiations for the lease were protracted and acrimonious, with each side accusing the other of bad faith. Then, in 1959, an uprising in the south, which by this time was becoming relatively prosperous because of the



Fishing boats along Male waterfront

British presence, left central government convinced that the rebellion was condoned, if not actively supported, by Britain. When the evacuation by Britain came, in 1976, President Nasir, not forgetting the rebellion, insisted that British aid would be spent at the discretion of central government and not, as Britain wanted, on the south. So, the departure from Gan left behind more than a usable airbase; it left a severe crisis of unemployment in the south, and bitterness all round.

## Priority

The new Gayoom Government set out to rectify this. Backed by his domestic programme that gave priority to development in the poor regions, which of course by this time once again included the south, Mr. Gayoom also convinced the doubters in the capital that active diplomatic effort would produce dividends. He was right.

Last year Britain reactivated its aid programme, committing the equivalent of \$3.3m, of which \$1m is expected to be made available in fiscal 1980-81. The money is earmarked for the rejuvenation of the capital's dangerously decaying electricity distribution system and the improvement and expansion of the main harbour, which, although also in the capital, is a project in keeping with the Government's programme of improving transport to facilitate development in the regions.

The re-entering of Britain on the good side of the ledger was considered a particular success because of the Maldives' wider effort to expand fruitful contacts in the Western world. Not only did Britain provide direct financial assistance, it also agreed to present the Maldivian case for food aid to the European Economic Community.

Officials responsible for aid programmes at the Ministry of External Affairs feel that Western countries are willing to provide more help but are unable to understand the Maldives' special problems. "The West is now sympathetic," said an under-secretary, "but slow."

These same officials, however, will admit that the Maldivian case has been hampered by the country's past failure to provide adequate information. Until very recently aid receipts and use were not accounted for by any normal standard, and not long ago few relevant economic statistics were published at all.

That is why much emphasis is being placed on the World Bank report just published and the imminent formation of a national monetary authority and national statistics office. What some officials feel is most needed at this time is non-specific aid, assistance not so tied in detail that it becomes inflexible. "What we sometimes find," said an official, "is that a particular programme may come to a dead end. Then we have to apply for an alteration in the terms and possibly wait six months before we can change direction."

A report on inter-island transport now before the Government was given as a good example of what this sort of aid can achieve. With West German finance and Asian Development Bank technical assistance, research has shown that the country's chronic transport problem might be greatly reduced with three 400-500 dwt vessels plying between the capital and specific points in the north and south to distribute imports and collect local produce for Male.

Larry Klinger



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# Politics testing a non-violent society

USUALLY TRANQUIL, reserved and non-demonstrative, the Maldivians explode periodically — about every seven years or so seems to be the pattern. People march in the street, dressed in their finest, clean clothes, to demonstrate for or against the government in power, depending on the current tide, and always against a suspected enemy of the country.

Such demonstrations, though superficially giving a carnival appearance, verge on mob action and can be pushed to violence, as one outside observer remarked, by the slightest whisper of provocation. Politics, a leading Maldivian once noted, is the one sphere in which violence might erupt in this generally non-violent society.

This is the state the Maldives is in right now. Exactly a month ago the people living in the capital Male' erupted again after a lull since 1974.

This time they rose up in response to President Maumoon Abdul Gayoom's announcement in an extraordinary session of the parliament (Majlis) that details of a coup attempt had been uncovered.

The President declared that a Maldivian, Ahmed Naseem, a former deputy Minister of

Fisheries, had allegedly confessed to National Security Service interrogators that he had devised the plot, which included his hiring foreign mercenaries to execute it.

The week before the deputy head of the National Security Service, Mr. Ilyas Ibrahim, and the President himself had confirmed that the Maldives Government had been tipped off in late February that such an internationally planned coup attempt was being made. Not until they obtained a confession from Mr. Naseem, who is a brother-in-law of the former President Nasir, were they able to pin it on anyone.

Now there are almost daily demonstrations in favour of the incumbent President Gayoom and against the former President Nasir. People have burnt pictures of Nasir.

## Surprise

Mr. Nasir, in an interview with me in Singapore, firmly denied any involvement in the plot, saying that he had no knowledge of it until it reached the world Press. Both he and his wife, Naseema Mohamed Kaleyfan, the sister of Mr. Naseem, expressed surprise and embarrassment about her brother's reported confession.

But the Maldives government maintains that it has proof otherwise and refuses to accept Mr. Nasir's denial.

On May 16 the President himself led a large, hours-long demonstration against his predecessor. He and other leading orators and opponents of the former president spoke to crowds of between 15,000 and 20,000 and discussed their views of how Nasir came to power and how his allegedly mis-handled government funds.

Waiting in prison, presumably for trials, are a number of friends and the brother of Mr. Naseem. They will be tried according to Muslim Sharia law and probably banished for sedition acts or statements.

The history of Maldives is full of such witch-hunts and scapegoat-seeking periods. The alleged crimes have always been that strong opponents were plotting to overthrow the incumbent government. People, members of the elite, are often considered guilty by association with others viewed guilty. That is why often whole families, houses of people, groups of friends, disappear from Maldivian political life for periods of time.

Banishment from one's own island to another distant island is the chief form of punish-

ment. Because of the extreme distrust and suspicion of the outside world, this punishment is greatly feared. It can be imposed on an offender for any kind of crime. But it is for political crimes, for which a wide variety of acts can qualify and for those relatively few persons who might be found guilty of political wrongdoings. Members of the elite, that banishment holds most meaning.

The Maldives elite, which itself is always in flux with different families and houses vying for power, directs and influences all the country's social, cultural, economic, political, religious and commercial affairs and has since earliest times.

Political opponents face the strong likelihood of banishment from Male' to an outer island, far away from the centre of Maldivian political life. This has always happened as it did recently under former President Nasir to his suspected rivals, such as Ahmed Zaki, the current Ambassador to the United Nations, and the incumbent President Gayoom.

Traditionally those viewed as the greatest threat to the ruler have received a punishment worse than banishment to an outer island. They have either been sent into exile, as former

President Nasir's uncle was packed off to Colombo where he still lives after many years, or they fled into exile as the leader of the Suvaiva Rebellion, Afeef Didi, did in 1963 when with British assistance he moved to Seychelles.

Or one might simply go away for a while and end up in real exile as in the case of the former President Nasir, who moved to Singapore to carry on his private business just as the shipping magnate Ali Maniku has also done. And now Nasir has become a hunted man, accused by his former Cabinet members and advisers of having committed a variety of alleged crimes.

## Pardon

Nasir believes as do many others that it would not be safe for him to go home now. Likewise, Nasir's old rival from Addu Atoll, Afeef Didi, never felt safe enough to return to his native land, even after receiving an official letter of pardon from Nasir, nor even now under a new president.

While violence is almost non-existent in the Maldives, there is always the underlying, usually unspoken, threat of violent acts, either by the security services holding the arms or by the people them-

selves. In the 1950s the deposed first president, Mohamed Ameen Didi, made the mistake of coming home and was beaten to death. And during the Suvaiva Rebellion in the early 1960s the Maldivian army opened fire against a village.

An intricate system of informers, gossip and accusations, serve as the primary means of socio-political control. The sultans and now presidents have since ancient times installed their informants, usually loyal Male' men, not only throughout the capital but also in each Maldivian island where they serve as listening posts. Then the real threat of banishment far from family and home to distant, uninhabited islands is the powerholder's strongest weapon.

Along with this threat, but held out with the other hand, is the potential of favours, the rewards of land for building houses and political appointments, for the loyal, unquestioning informants.

People are said to come into favour by what is called vail-huvun "blowing wind," or flatterer. The flatterer blowing wind keeps the ship going. But like the wind blowing the sails, such flatterers can be deceptive, coming and going or changing course without notice.

Elizabeth Colton

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# Growth of shipping fleet a success story

THE MALDIVES shipping industry is a success story. And it reflects the self-reliance and determination of Maldivian entrepreneurs.

Most people credit the entrepreneur Ali Maniku with founding and developing Maldives Shipping. But he modestly credits others as well: "Maldives shipping was not developed by me personally but by a team of dedicated workers. The biggest contribution has been made by the intelligent and the hardworking crews of the islands and faith and trust bestowed upon me by the successive administrations of Maldives."

The predecessor to Maldives Shipping, which is now government-owned, was the Maldivian National Trading Corporation, established in 1948, as a 90 per cent government company which chartered ships from a Cey-

lonese company to transport essential goods to the Maldives. In 1957, a couple of years after the young Ali Maniku joined the corporation, it bought its first ship, a 1,500-ton steamship that ran the rice-run from Rangoon via Colombo to Male'.

Then in 1966 a fortuitous circumstance intervened when the 2,500-ton ship, the City of Victoria, ran aground in the islands. As Maldivians have done throughout history when they have been lucky enough to have foreign ships wreck on the treacherous reefs, they took over the vessel; then they took it to Male', registered a salvage claim and patched it up.

This was the first ship of the Maldivian Shipping fleet. The former City of Victoria was renamed Dufushi Madu after the reef where it was wrecked, and the vessel set sail under the Maldivian flag in 1963.

The small, but steadily growing Maldives Shipping moved into its new headquarters in modern offices overlooking Male' harbour in October last year. Before that it was run primarily out of Singapore, and also from Bombay.

According to Ahmed Mujthaba, the director in Male', it is now a 100 per cent government-controlled company with an autonomous board of directors answerable to the Maldives president. It continues to maintain offices in Singapore, London and Bombay.

People used to ask why the Maldivian shipping line was based overseas. And Ali Maniku, now its managing director, would answer that it would be impossible to run such a company without international telecommunications. Until 1977 there was no modern link to the outside world, only a radio-

telegraph link to Bombay and previously to Colombo, and sailing ships and a few aircraft.

But Ali Maniku sought out the British telecommunications company, Cable and Wireless, and asked if it would be interested in running the Maldives' international telecommunications system once a satellite earth station was installed in May 1977. Cable and Wireless agreed to come, but only if Ali Maniku would agree to move his government company to Male'.

## Repairs

Maldives Shipping, in less than a year in residence in its new offices, accounts for the bulk of Cable and Wireless business in the country.

Singapore is still best for repairs, maintenance and freight insurance according to Ali

Maniku but the Male' office will grow by stages, first handling only accounts, then accounting of crews, then day-to-day operations in consultation. The insurance is still handled in Bombay.

From its small beginnings the company has grown steadily, filling gaps in the shipping business. Maldives Shipping sails to ports in the Indian Ocean with which other companies won't bother.

The regular trading area for Maldives Shipping includes Bangkok, Singapore, the Persian Gulf, the Red Sea, the Indian and Sri Lanka coasts and sometimes to Hong Kong and the Mediterranean. Ali Maniku said that with the recent purchase of larger ships the company would soon be going worldwide. Already it visits ports in South America.

Maldives Shipping now manages 37 ships, ranging from

1,000 to 15,000 tons, of which it owns 32 and has interest in the other five. Total tonnage is 161,297 dwt. Most of the ships are general cargo, but there are two tugs and one small oil tanker.

The company's growth plan is to get rid of the small diesel-burning ships, which are uneconomical and buy larger ones. This will increase the total tonnage, while decreasing the actual size of the fleet. Currently it is discarding eight ships and buying four.

Mr. Mujthaba attributes the company's success to the people who started it, to the Maldivian crews, and to a policy of non-interference from the government. Meanwhile, Ali Maniku predicts that shipping will soon surpass the Maldivian fishing industry as the country's major earner of foreign exchange.

Elizabeth Colton

## PROFILE

**ALI MANIKU**  
Shipping Magnate

THE MAN pulling many of the strings behind the scenes as the Maldives modernises is the founder of the Maldivian shipping industry, Ali Umar Maniku. An astute Maldivian observer of his own society recently referred to this leading businessman as the "lifeline of the Maldives."

The original financing of the young republic in the 1960s and the development schemes, including the capital for establishing the Maldivian tourist industry in the past decade, came from Ali Maniku's business empire, primarily shipping.

Yet his financial control over the country has been maintained from a great distance. Since 1973 he and his wife have lived in Singapore, where he has managed wide-ranging private business as well as the small, but highly successful Maldives Shipping.

Although until recently Ali Maniku, now 43, was about the only Maldivian personality known to anyone who had ever heard of the Maldives, he has always avoided publicity. His interview with me recently, in Singapore, was the first he had ever given any journalist. In his own words: "I am a person who

# Reticent entrepreneur

shuns all public and Press limelight, and this has been my way of life from the very beginning.

It was through his business contacts that foreign investors were introduced to the Maldives. He is perfectly candid that it was he who started the islands' tourist industry and brought in the commercial fishing companies to develop Maldivian fisheries.

Cable and Wireless first came to the Maldives to set up the satellite station on Ali Maniku's urging, and the final agreement between the Maldivian Government and the British telecommunications company was drawn up with him.

## Vital promise

It depended also for Cable and Wireless on Ali Maniku's promise—that he would establish the Maldivian capital Male' as the base for operations of Maldives Shipping once Cable and Wireless began operating international telecommunications in the country. Cable and Wireless moved into Male' in 1977, and 2½ years later, true to his word, Ali Maniku moved Maldives Shipping to Male'.

The shipping magnate's father also was a leading Maldivian businessman, a self-made man. Ali Maniku studied in Ceylon

as a Maldivian government scholar from 1948 until he left school in 1955 to join the Maldivian National Trading Corporation. The corporation then chartered ships to transport such essential commodities as rice to the Maldivian Islands. It was only then that Ali Maniku got interested in shipping—"took a fancy to it"—and from that base developed the Maldives Shipping Company.

In his Singapore office Ali Maniku, portly and greying, sits low behind his desk covered with papers and telephones. Throughout the interview, officers and secretaries in his firm come in and rattle off whatever pressing business they have at hand.

"Shipping is like a chess-board," he says, "and the player must be flexible, able to reverse his decisions the next day." And he injects an appropriately Maldivian remark from his maritime world: "There are sharks all around."

He visits the Maldives very seldom. And it is reported that when he does everyone waits his arrival with trepidation. Accounts are gone over with great care by the business managers themselves.

By his own admission and as everyone who knows him says, Ali Maniku is a workaholic. He has worked an average 18-hour day for years. Whoever takes over the helm of the company must know the whole business, he says firmly.

The trouble is, as he and others interested in the company discuss, there is no one who immediately comes to mind to replace him. The director of Maldives Shipping in Male', Ahmed Mujthaba, also holds the government post of Director of the Department of Tourism and

Foreign Investment and must devote a fair share of his day to this.

In addition to his fortune—he is a dollar millionaire—Ali Maniku has achieved what few members of the Maldivian elite have ever completely managed: he has maintained good relations with each successive government. In fact he has probably been the principal adviser to both the former President Nasir and the incumbent President Gayoom.

Until the accession of the widely-travelled Gayoom, few Maldivian leaders had the breadth of knowledge of the outside world that the shrewd Maniku had. He was able to offer advice to "fogs in the well" Maldivians at home.

## Essential

For President Gayoom, who is an intellectual and not a businessman, Ali Maniku's advice is essential as the new leader directs the country's development. Almost immediately after the inauguration in 1978, Ali Maniku made a trip to Maldives, his first there in two years, to confer with the new president.

Before that, when Nasir was president, Ali Maniku not only ran Maldives Shipping but also held the portfolio of Shipping Minister from 1977 and had been one of the five Maldivian vice-presidents previously. (He was probably the only Vice-President of a country who lived in another country.)

How has he been able to maintain such good relations with different governments and presidents? He is, he says, only a businessman, not interested in politics. But what of the power he has wielded with his business? "Pay talks. Talk less and do more work. I've never wanted position and status."

Elizabeth Colton

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## MALDIVES IV

Larry Klinger meets the President and puts some searching questions

# A traditionalist carrying out reforms

PRESIDENT Maumoon Abdul Gayoom is an innovator, as opposed to a reformer. He is a very religious man, in many ways a traditionalist, believing in the maintenance of established moral and social values.

But, unlike his predecessor, Mr. Ibrahim Nasir, who ruled with an autocratic hand for 21 years, Mr. Gayoom allows substantial expression of political opposition, travels extensively at home and abroad, and makes many public appearances. He pursues a domestic policy aimed at economic improvement of the long-neglected regions and a foreign policy aimed at expanding Maldivian contacts.

President Gayoom, 42, took office in November 1978 after a career in government that included office as Minister of Transport and as his country's first permanent representative to the United Nations. He received a master's degree

in Islamic studies from Cairo's al-Azhar University and taught his subject at Ahmadu Bello University in Nigeria.

Earlier this month he granted an exclusive interview in Male' to the Financial Times, in which he spoke about the Maldives' policy of non-alignment.

**KLINGER:** Mr. President, the general thrust of Maldivian foreign policy is to expand your contacts, diplomatically, culturally, in trade and aid, while remaining completely "non-aligned." Do you see this policy continuing to be a successful one, or are there pitfalls?

**PRES. GAYOOM:** The policy of non-alignment that the Maldives is vigorously pursuing is not only successful but, in my opinion, is the only stand in world affairs that would guarantee our independence and sovereignty in the context of the existing rivalry between

the Superpowers.

We are a small nation and we would not like to be dragged into international conflicts. We would like to have friendly relations with all the countries of the world irrespective of their political systems. We would like to concentrate on our development but we cannot hope to do this unless we avoid the pitfall of siding with one bloc against the other.

**KLINGER:** An integral part of increased world tension is the Superpower rivalry in the Indian Ocean. Your predecessor, President Nasir, rejected a \$1m-a-year offer from the Soviet Union for the use of the Gan airbase. You have continued to rule out Superpower use of Gan though the money must be tempting. Will your policy remain the same?

**PRES. GAYOOM:** First, to keep the record straight, let me

point out the fact that it was not former President Ibrahim Nasir himself who had rejected the Soviet offer. The matter was referred to the Cabinet. This was one of the rare instances in which he had consulted the Cabinet on any important issue. It was the decision of the Cabinet not to allow the Russians to use Gan.

As I have already said, strict non-alignment is essential for our independence and development. Therefore, we will never allow any big powers to use Gan or any part of our country. Our independence and well-being are more important to us than any amount of money.

**KLINGER:** Your country recently concluded a cultural and educational assistance agreement with the Soviet Union. People from outside the Republic of Maldives have noted that such arrangements have been a prelude, although not neces-

sarily a cause, of greater Soviet involvement in some countries. Do you foresee any problems in this case?

**PRES. GAYOOM:** The recent cultural and scientific agreement signed between us and the Soviet Union is merely a formalisation of the co-operation that already existed between our two countries. This agreement does not have any political significance. In fact, many countries of the region do have

**"Strict non-alignment is essential for our independence. We would like friendly relations with all countries."**

this type of agreement with the Soviet Union. Therefore, I don't foresee any problems in this regard.

**KLINGER:** The Republic of Maldives has strong connections with Libya and sends people there for training. Libya is very much a revolutionary country. Do you have misgivings about the possible effect on Maldivian society?

**PRES. GAYOOM:** I do not. In fact, Libya is taking a very constructive approach towards our economic and social development. The Libyan leadership is endeavouring to provide assistance to us in the areas of our own choice. They have never tried to tell us what we should do. So there is nothing to cause us any concern about any undesirable Libyan influence. On the contrary, I think that there is scope for us to learn from the Libyan people's achievements in various fields.

**KLINGER:** Your policy of giving priority to the development of the regions in addition to the capital has undoubtedly been a success, and your popularity is obviously great. However, what political criticism of you I have heard comes from, first, influential older people who would like society to adhere to Islam in a much more strict sense, and, on the other hand, from some of the younger, well-educated middle-class who say society has

not been liberalised enough. This seems difficult to resolve in single policies. How do you do it?

**PRES. GAYOOM:** Social change is of necessity a gradual process. We have been subjected to a very strict form of autocratic rule for a very long time. So it is not an easy matter for us to rid ourselves of certain inherited ideas and attitudes.

I'm trying vigorously to liberalise our political and social systems. Many things have already been achieved during the short period of 18 months. But I find that because relatively few people have had the benefit of a good education and have had any contact with the outside world and the ideas of democracy and social liberty, many Maldivians are not yet ready to accept liberalisation beyond a certain degree.

It is a tragedy for me to be ahead of his time—especially if you happen to be the leader of a nation—as we have seen in the case of the late Amin Didi, the president of our first republic. He was a man of vision and courage. But his tragedy was that he tried to do everything too fast and too soon. One has to learn from history, particularly the history that you yourself have lived.

Another difficulty is that many people misunderstand Islam and what it stands for. They tend to give more importance to the form than the content. They forget the beauty and truth of its values—tolerance, compassion and human brotherhood.

The attractiveness of Islam to my mind at least, is its pragmatism and adaptability to different places and conditions. Had it not been for this resilient characteristic, Islam would not have survived 14 centuries in all sorts of political and cultural climates.

It has not only survived but is gaining ground every day. You can't possibly imagine two political systems that are so much at variance as those prevailing in Saudi Arabia and Libya, but the fact is that Islam remains the central theme of government in both countries.

I'm sure that with better education and more maturity which would make us less dogmatic and more adaptable to change, we can adopt a balanced outlook that would satisfy the demands of progress and preserve real values of our

Islamic culture at the same time.

**KLINGER:** You have spelt out to parliament the details of a plot in February to assassinate yourself and other senior members of the Government. Do you feel a continuing threat, and, if so, what precautions have you taken?

**PRES. GAYOOM:** Investigations are taking place both in Male' and in Colombo. Before these investigations are completed and we know all the people involved both in this country and abroad, it will be hard to say whether such a threat still exists or not.

The plotters' plan to use international mercenaries makes the scheme twice as dangerous. But there are many precautions that could be taken to thwart any future attempt, including a further tightening of security measures.

This is a legally-constituted Government working to develop the country. There is no autocratic rule now and no dis-

**"We are seeking aid that contribute to our development with no strings attached."**

crimination. The people of the country recognise what the Government has done for them during the 18 months that I have been in office.

Therefore, it was no surprise for me when the whole country condemned the attempted coup and expressed their full support for me personally and for the Government. The people are 100 per cent behind me. I think this is the best guarantee that no coup attempt against the present administration will succeed.

**KLINGER:** The Republic of Maldives has developed a sophisticated tourist industry. You have managed this without greatly disrupting Maldivian society. Being a nation of islands helps. However, with the increasing success of this industry there inevitably will be a fast-growing influx of foreigners. Does this worry you?



Maumoon Gayoom: innovator

**PRES. GAYOOM:** It does not. For a country like ours, with such limited resources, it is essential that we utilise all our economic potential to the full. So we have to live with tourism. There are, of course, changes that will come with tourism and with the influx of foreigners to the country. Despite certain undesirable effects that tourism may have already caused, I believe that our gains from this industry considerably outweigh them.

**KLINGER:** Your country is seeking greater foreign investment and aid. Here, again, you are working towards expansion without undesirable effects on the Maldivian way of life. What sort of investment and aid are you seeking?

**PRES. GAYOOM:** I am very pleased that I have been very successful in getting foreign aid for our various development programmes. We are seeking aid that would contribute to our social and economic development with no strings attached. More aid is still required in areas such as fisheries, inter-atoll transport, health, communications, and education.

As far as foreign investment is concerned, the Government is giving a lot of incentives to encourage foreign investors to come in. They are exempted from import and other taxes up to 10 years and they are allowed to repatriate their profits. We should like to invite reliable foreign parties to invest in any feasible undertaking that would contribute to the growth of our economy and provide job opportunities for Maldivians.

## Holiday paradise in the sun

THE COUNTRY'S tourist industry began only in the early 1970s when a couple of dozen Italian tourists came off the beaten track for a stay in Male', the urban capital island. The idea was thus implanted, and in 1972, a semi-government agency was established to finance and build resorts, the first of which offered 122 beds and drew 918 visitors in its first season.

Since then the number of resorts has grown to 27, available beds to 1,742 and registered guests to 33,140 in 1979, representing an average annual growth rate (excluding the big leap in the second year to 3,789) of 46 per cent. There are now a further 14 resorts under construction, and the Department of Tourism and Foreign Investment is forecasting more than 40,000 paying guests this year. "A very safe prediction," one official said.

These figures are remarkable when put alongside the facts of Maldivian life: a shortage of finance, natural resources and expertise. The Maldivians started their tourist industry from scratch and made it a success without even an external promotion campaign—something

the national budget could not afford.

What this attests to is the ironical situation in which the very lack of economic blessing has provided exactly what the winter-weary tourist years for: hundreds of islands—uninhabited because there is no easily-tapped fresh water supply—with dazzling white beaches, arching coconut palms and flowering trees and shrubs. All in a climate that bakes year-round in the tropical sun, even during the rainy seasons.

### Equipment

Most holidays in the Maldives are arranged by Italian, French, German, Scandinavian and Swiss tour operators.

Costs vary according to what is offered by the resort, but the average 10-day holiday (assuming a return air ticket at group rates) would come to about \$1,000 per person, excluding three main extras: boat travel, hire of marine sports equipment, and drinks.

Most resorts charge between \$25 and \$36 a day for room with full board. However, this can drop to as low as \$15 at the more primitive resort during

the off-season (April to July) and rise to \$50 for high-season accommodation (November to January) inclusive of use of sports equipment. Rates also are subject to change because they are under constant pressure from the rising costs of imports, especially fuel.

A warning though for the visitor: while the resorts provide the epitome in "desert-island" holidays, simplicity is the keynote. There is little in the way of live music, discotheques, sophisticated cruises and other diversions. A tourism official said simply: "People come here for three reasons—the sun, marine life or both."

But the development of the tourist industry in the Maldives is not without its problems, the thorniest of which remains finance.

Bank lending for the resorts' construction and operating costs has been restricted by the fear of nationalisation. All land, with a very few minor exceptions, belongs to the state, and is provided to developers on renewable leases of usually five years.

Current law allows for possible government acquisition with two years' notice and cer-

### HULULE AIRPORT ARRIVALS

1972	918
1973	3,780
1974	7,580
1975	8,004
1976	12,477
1977	18,668
1978	29,269
1979	33,140

tain takeover is development involves illegal use of funds—which happened early last year.

A banker said: "The (four) resorts weren't appropriated, or nationalised. It was somewhere in between." The bankers involved were awarded compensation, "but it took a very long time, many months."

Now the banks are considering reopening lending facilities and have several proposals before them. The Government also can provide funds, usually reserved for rescue operations, but at the moment have no requests.

Larry Klinger

# REPUBLIC OF MALDIVES

## TOURISM:

This started in the Maldives in 1972, with a group of Italians arriving in February that year. By the end of the year, there were two resorts with a total capacity of 260 beds. The total arrivals for that year were 990, the arrival growth rate recording a 40% increase till 1978, reached the total of 29,000. In 1979 there were 33,000 arrivals—the bed capacity had meanwhile risen to 1,700 in 26 resorts.

Typically, rooms are at ground level, clustered in twos or threes, each with its own bathroom under a common roof, in structures made to look like local houses, built of coral and roofed with palm leaves (cadjan) often with some longer-lasting roofing material underneath. Common facilities are housed in a central complex, again designed in keeping with local buildings. Every resort has its own generator, water supply, radio-telephone and more or less sophisticated mooring facilities. Sewerage disposal is usually by means of septic tanks for each cabin. Resorts have their own motor boats to transport guests, staff and goods to Malé and Hulule, usually open Boston Whalers. There are no beach facilities on Malé, hence the brevity of the average tourist's visit to the capital island, if a visit is made at all.

Much thought and care have been given to preserving the desert island atmosphere that tourists come in search of. There are no glaring architectural eye-sores; marine life is carefully protected and trees and gardens flourish around resort buildings. Tourists come to Maldives for sun and diving mainly. Most of the resorts offer excellent facilities in water sport, such as surfing, snorkelling, water skiing apart from skin diving and deep sea fishing.

Tourism is expected to be given a boost when the Hulule Airport Project is completed at the end of this year when a longer runway to accommodate aircraft such as Boeing 707, Air Bus and TriStar will be available.

The terminal building will be capable of handling 150 passengers in an hour and there will be duty-free shops including book shops, restaurant, post office and banking facilities. Facilities for aircraft, with a fuel tank capacity of 3,000 cu. metres, will be available. Water supply will be available.

## FOREIGN INVESTMENT:

The Government encourages foreign investment by offering incentives such as import duty exemption up to 10 years depending on nature and volume of investment and repatriation of capital and profits. The response from foreign investors up to now has not been very encouraging and this could be as a result of the cost of energy in the Maldives and the non-availability of skilled and semi-skilled labour. However, foreigners have invested in transport, tourism, and in some light industries where energy consumption is low.

The Government is actively trying to get investors interested in Gan—the former R.A.F. Staging Post at the southern end of Maldives—to reactivate the island commercially. Gan Island has an air strip of 8,700 feet by 150 feet, which could be extended by another 5,000 feet filling in shallow areas inside the reef. Gan also has port facilities with one concrete off-loading jetty of 408 feet by 43 feet handling ships up to 15 feet draft and a steel built fuel jetty for off-loading tankers with a reinforced concrete jetty 392 feet by 8 feet. The bulk storage consists of 6 large tanks and 6 slop tanks capable of storing over 2 million gallons. The power house has 7 diesel generators with a full load rating of 250 KW.

Apart from these, there are 330 buildings on the island which are typical of an air base design, 76 barrack buildings to accommodate over 1,000 people. In addition, there are 8 messes equipped with hot plates, boiling pans, fish fryers, water heaters and other kitchen paraphernalia which includes 3 cold stores fitted with compressors and cooling plants. Sport facilities include a gymnasium, 3 tennis courts and one 18-hole golf course, cricket, hockey, rugby and football pitches.

For further details, please contact the Department of Tourism and Foreign Investment, Malé, Republic of Maldives. Telex 66019 A/B Tourism MF.





## THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

## Norcros bids for a less frenetic life

BY JOHN MAKINSON

THE SIXTH floor of an unprepossessing office block near Reading station, in Berkshire, is an unlikely headquarters for an industrial group with annual sales approaching £300m.

The offices house only about 60 people, of whom around half are secretarial staff, and the small scale of the operation illustrates the management approach of the company—Norcros Limited.

For Norcros, it is a new approach, designed to enable top management to spend more time on charting broad strategy and acquisitions while keeping a finger on the pulse of the group. And the strategy, which is aimed at promoting rapid growth, is itself a fairly recent innovation that represents a reversal of the previous approach.

Norcros comprises a bewildering menagerie of 36 individual companies, grouped into four broad areas of activity: construction, consumer products, print and packaging, and engineering.

Even within these categories, there is a high degree of diversification. The engineering operation, for example, encompasses 10 companies ranging from a manufacturer of giant cranes to a producer of air-conditioning equipment.

The principle of diversity is extended to the geographical spread of the group. Norcros owns a surprisingly profitable bulk carrier company in Canada, a manufacturer of wood-wool slabs in Singapore and 10 other subsidiaries dotted around the world.

This medley of operations is largely the result of a strategy developed in the early years of



Mr. W. K. Roberts, managing director of Norcros. He must co-ordinate the group's 36 individual companies operating in diverse fields across the globe.

Norcros. The group owes its name to two villages near Scunthorpe, North Lincolnshire. The area was the home of the Sheffield family, which founded what was then called the Norcros "club" and which is still represented on the Board through John Sheffield, the group's non-executive chairman.

The family's idea was to buy out private companies, leaving the owners in charge but relieving them of substantial tax burdens.

Norcros went public in 1956, a few months after the "club" was founded and continued for

10 years in much the same style. By 1966, however, Norcros had become aware of the penalties of trying to manage such a diffuse organisation and it completely changed its strategy, calling a halt to diversification and rationalising its activities into the present four divisions.

The period of consolidation ended in dramatic style in 1974, when the size of the company was doubled by the £12m purchase of Crittall-Hope Engineering from the erstwhile Slater Walker group. Last year, Norcros executed a similarly impressive feat of digestion by acquiring H and R Johnson-Richards Tiles for £34m.

The two purchases demonstrated the complete reversal of strategy at Norcros, with the second one in particular completing the process. According to Ken Roberts, the managing director of Norcros, the assault on Johnson-Richards was the first time that the company had identified and pursued its quarry. Until then, acquisitions had cropped up as much by accident as by design.

Another major difference was that both these companies operated in areas where Norcros had existing strengths. By coincidence, they were also companies with dominant market positions, both in the UK and abroad.

Crittall claims to be the largest manufacturer of steel and aluminium windows in Europe. It dominates the market for curtain walling (in which windows cover an entire wall of a building) and is well placed to meet the growing demand for double glazing. The company also makes replacement windows for homes and greenhouses.

Johnson Tiles claims to be the largest producer of domestic

ceramic tiles in the world and has the lion's share of the UK market. It has been able to cash in successfully on the do-it-yourself boom.

Both acquisitions fulfil Mr. Roberts' goal of becoming a significant supplier to the building and construction industries, areas in which Norcros has long maintained a presence. With the exception of the printing and packaging division, which forms a fairly coherent unit, almost all the group's activities are geared to these two sectors.

## Goal

Finally, both acquisitions had a strong presence overseas and served another Norcros goal of spreading risk by deriving at least 25 per cent of earnings from outside the UK. Partly because of dull domestic markets, this target will have been achieved with ease in the year to March 1980.

The effect of the two major purchases has been to lift Norcros earnings of periodic plateau. If the Johnson-Richards acquisition is included for the whole of 1978/79, on a pro-forma basis, pre-tax profits amount to £20.1m, which compares with £14.5m the previous year. On the same basis, sales increased to £275m from £180m.

Mr. Roberts accepts that this uneven earnings pattern is not entirely desirable and is continually seeking ways to even out the growth. To produce steadier profits growth at least in line with inflation, he proposes to continue with a policy of buying occasionally but in the grand manner, making use of the management's experience in developing acquisitions. "Ideally, we would add one third to our size

every few years," he says. Small purchases are too much of a drain on management time, Mr. Roberts believes.

The plethora of different companies has itself been an enormous burden on management resources. Even before the latest acquisition, Mr. Roberts and the Norcros finance director, Mr. Terry Simpson, were "running around like blue-bottles trying to take care of it all."

The group has a well-tried policy of recruiting business school graduates and easing them gradually into main-line management after an often brief spell at head office. Wherever possible, senior appointments are made from within the group.

Even so, the Norcros Limited Board was until recently finding it difficult to look after so many subsidiaries and decided to introduce an entirely new management structure. A new company has recently been created, called Norcros Industry, to which the shares of all group trading companies have been transferred.

A wholly owned subsidiary of Norcros Limited, the new company is responsible for all aspects of group operational management. The Board of the new company includes Mr. Roberts, who acts as chairman and managing director, Mr. Simpson and Robert Gee, the group secretary. In addition, there are seven divisional managers, representing both UK and overseas operations, each of whom has had experience of running a Norcros subsidiary.

This 10-man Board makes recommendations to the parent Board on any matter relating to profitability and future growth. The Norcros Limited directors take decisions on overall strategy and approve budgets.

The two-tier structure allows the parent to exercise final control over the subsidiaries while granting the individual management considerable latitude. For example, all marketing, research and development, and distribution functions are carried out by the separate divisions.

Mr. Roberts welcomes the fact that each subsidiary has its separate identity and indeed many of them are better known through their brand names than Norcros itself. "Motivation" is a word much in use at Norcros and Mr. Roberts believes that managers can be motivated only by allowing them to formulate their own policy.

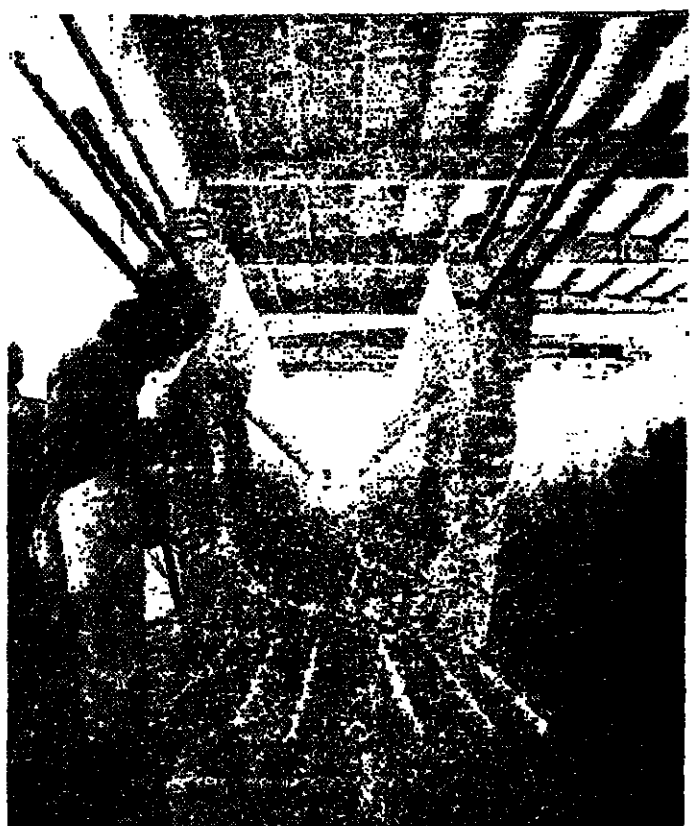
The two-tier board structure is also a motivator, however, since divisional directors become aware of their collective responsibility to the Norcros board.

The Norcros Industry meetings also keep parent board directors in touch with all operating companies. There had previously been a tendency, Mr. Roberts believes, for group managers to spend their time on problem companies at the expense of other operations.

## Closure

One notable recent problem is Hygena, the kitchen furniture producer. It has seen its market share drop from 20 per cent to 6 per cent over recent years. The company was producing too many separate ranges and misjudged the pattern of demand. Now, a factory closure later, and with a smaller, integrated range, Mr. Roberts believes that the company is back on the right track.

Mr. Roberts' view that "power is with the subsidiaries and



Production of pre-cast and pre-stressed concrete beams at Dow-Mac Concrete, part of the Norcros group.

transmitted to Norcros—not the other way around—is illustrated by the group's treatment of its two recent acquisitions.

Both companies were being run from group headquarters on a day-to-day basis, which Mr. Roberts believed made management unwieldy and inflexible. Crittall Hope now comprises eight units with an aggregate turnover of £55m. The "small is profitable" idea extends throughout the group.

The multiplicity of small, almost autonomous units within Norcros makes the identity of the group hard to grasp and it may have suffered on the stock market as a result. While stopping short of any wholesale de-merger, Mr. Roberts does not rule out the possibility of floating off minority stakes in recognisable divisions, in order to raise funds for capital investment.

The diversity of the group does have its advantages, even though there is no obvious counter-cyclical balance between the divisions. Temporary problems, such as Hygena, can be supported by the remaining operations—and experience learned in one subsidiary can often be applied to a different product area.

Norcros now looks a much more logical company than it did 14 years ago, when the strategy of the group underwent an upheaval. Mr. Roberts believes that, with Johnson Tiles under its belt and a new management structure in place, the company is "set fair for a surge forward."

The problem, however, is to ensure that the periodic surges created by acquisitions are backed by consistent organic growth.

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## Management Abstracts

These summaries are condensed from the journals of abstracts published by Anbar Management Publications. Readers wishing to consult original texts should write to: PO Box 23, Wembley HA9 8DJ.

Managing Stress Means Managing Time. R. S. Schuler in Personnel Journal (USA), Dec. '79: p. 851 (4 pages, table).

Asserts that levels of executive strain can be analysed and attenuated by clearer definition of goals and better use of management time to meet these goals; looks at the nature of stress and how it can give rise to unwelcome psychological and physiological responses. Zero-Base Budgeting at its Best. J. E. Connell and others in Management Focus (USA), Nov/Dec. '79: p. 28 (3 pages, illus.).

Tells why the Alcan Aluminium Corporation decided to move to zero-base budgeting to help keep research, administration and sales under control; gives an account of how it operates, and of how it will be used in modified form after the first year.

Leasing: the Cash Flow Myth. G. Hubbard in Management Accounting (UK), Feb. 80: p. 24 (3 pages, tables).

Argues that the claim that leasing conserves cash flow stems from an incorrect comparison with alternatives; sets out to demonstrate that there is no cash flow advantage in favour of leasing if it is compared with a loan of equivalent interest cost and a comparable repayment schedule.

If It's Right for You, It's Wrong for Employees. C. L. Hughes in The Personnel Administrator (USA), Dec. 79: p. 39 (5 pages).

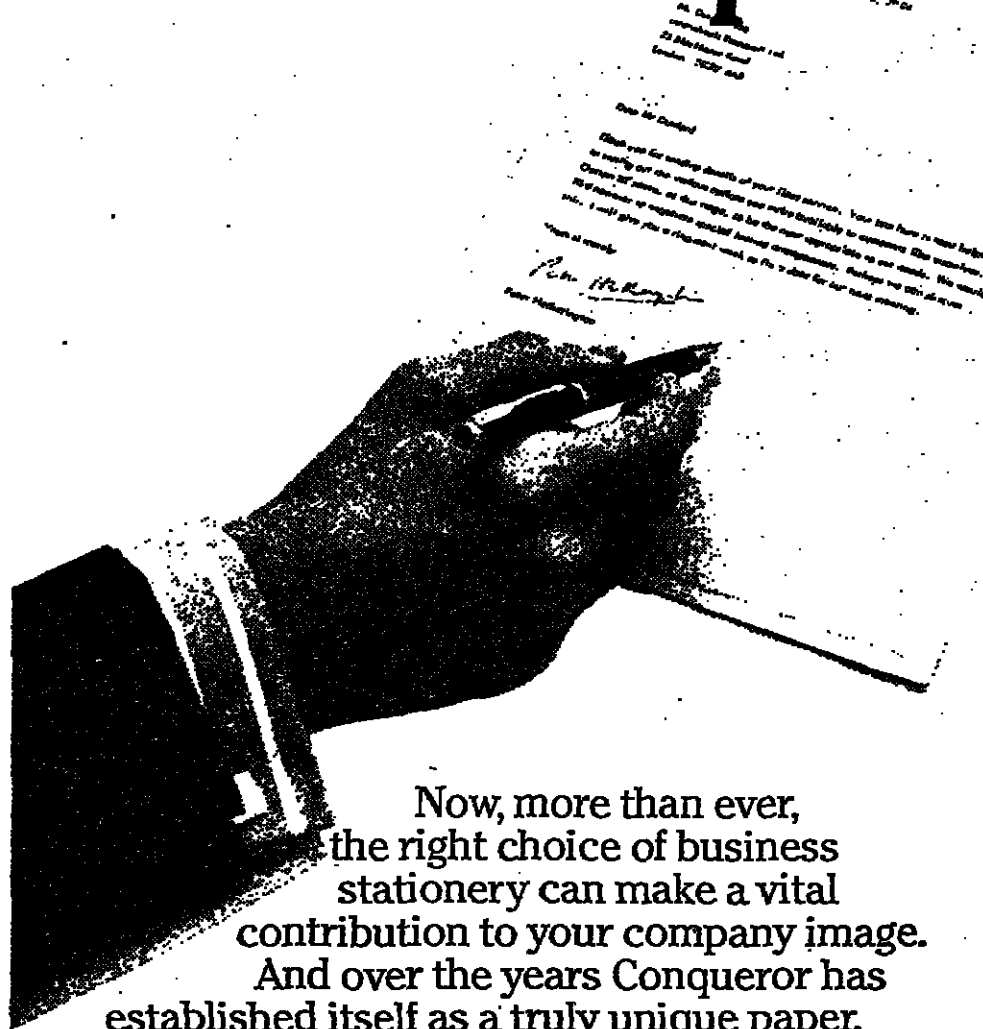
Contents that many personnel policies and practices are created and designed to meet the needs and values of personnel managers rather than those of employees; discusses the importance of recognising that different employee groups have different value systems, attitudes to work, and communication needs. Outlines the implications of this recognition for policy design and stresses the need for flexibility—particularly in communicating the content of personnel programmes to the workforce.

Management Review (USA), Autumn 79: p. 53 (5 pages, tables).

Examines negative stereotypes that managers hold about each other in terms of time-pressure, responsibility and the demands of society and the consumer; argues that such disparaging perceptions are obstacles to co-operation and suggests how the barriers can be removed.

An Application of Venture Analysis. R. A. King and J. G. Stover in Strategic Management Review (USA), Autumn 79: p. 35 (10 pages, tables). Describes the objectives and methodology of venture analysis to assess the benefits to the private sector of innovation investment and to the public sector in terms of a larger social good; illustrates its use in an integrated private/public utility venture to produce electricity and hot water for residential, commercial and industrial application.

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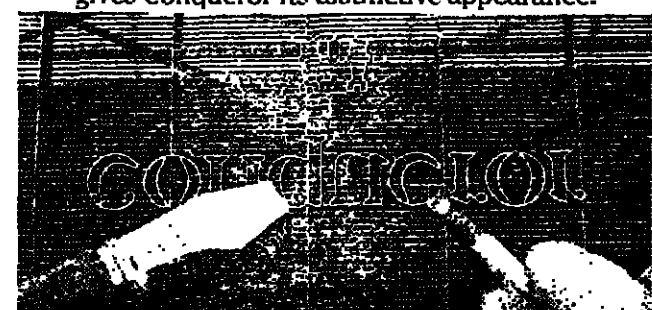


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# Curiouser and curiouser

BY KENNETH MARSTON

THERE ARE some strange things going on. This time a year ago those who were looking for a way of protecting the value of their savings from the ravages of inflation and, at the same time, of making a profitable investment found at least one way out.

They bought gold at around \$270 per ounce and — hey presto! — the price reached a peak of \$850 in January of this year and after boiling over is now still around a respectable \$600.

But whereas a year ago there was a general consensus of opinion that the price of gold seemed likely to rise, people are now not too sure about its near term course, at least. However, they do feel that with world recession beginning to bite, prices of the other metals and of shares in the companies that produce and use them could lose ground for a while.

## Reasonable

In their latest review of the big Rio Tinto-Zinc international mining and industrial group, stockholders Panmure Gordon say: "For the moment we believe the mining sector is best avoided especially in the light of slackening metal demand by the summer. Despite RTZ's obvious longer term attractions, more active funds should consider reducing holdings on short-term strength."

On the face of it, a reasonable conclusion. But with inflation galloping along at over 20 per cent the "more active funds" not to mention ordinary folk like you and me, who cash in their shares, will still see the value of the resulting paper money depreciate despite high interest rates. Curiously, it seems to be a case of heads you lose, tails you don't win.

Another curiosity arising out of this combination of inflation and recession is that if prices of leading mining shares do lose ground over the coming months they will be doing so at a time when inflation is driving still higher the value of their paid-for assets.

RTZ, for example, is valued at some £900m in terms of its current share price, whereas the group's successful Bougainville copper-gold mine alone would cost upwards of £500m to develop if work on it started today.

If you were to set a value on the group's many other income-producing assets it would be several times the current market capitalisation. The same is true of other leading mining companies.

Well, you may say that there is nothing new about shares standing at a discount to asset values, even though the discounts are probably now larger than in normal. You may argue, with justification, that it is earnings that count.

If RTZ were to reduce its dividend (and this is unlikely) the high value of the group's underlying assets would cut little ice in a frigid share-market.

But there is more to it than that. For a start, mining companies have first to find their mineral deposits, then to finance them, and finally to bring them to production. None of these tasks is easy.

This supply-demand picture can mean only sharply higher metal prices in the future and, indeed, these will be required to justify the development of the next generation of high capital cost mines.

For the long term, therefore, good-class natural resource stocks remain a sound investment. For the near term... well, it is rather like a Dutch auction where the crowd is offered a transistor radio for £30 but knows very well that the asking price will gradually be lowered until somebody accepts. And lurking in the background is a pick-pocket called inflation.

## Better bet

There is a simpler approach to the problem which will probably be adopted by those of us who are unskilled in the necessary arts and who have other things to think about. It is called the philosophico-dilemma-and-sleep-at-night's play. It carries no health warning.

Followers merely have to remember that if a good-class security was originally acquired for the long-term view and if that view has not changed, a temporary "book-loss" doesn't really make much difference. Assets in the form of readily available metal in the ground still look to be a better bet in the long run than paper money in the bank.

5.55 Nationwide (London and South East only).  
6.20 Nationwide.  
6.50 Wednesday Film: "Can-Can" starring Frank Sinatra and Shirley MacLaine.  
9.00 News.  
9.25 The Risk Business.  
10.00 Sportsnight.  
10.50 Target.  
11.40 Weather/Regional News.  
All Regions as BBC1 except as follows:  
Cymru/Wales: 5.55-6.20 pm Wales Today. 6.50 Heddwr. 7.15 Ask The Family. 7.40 One More Time. 8.10-9.00 Mid Chaparral. 9.25-10.00 Elstedsdoff yr Urd. 11.40 The Risk Business. 12.15 am News and Weather for Wales.  
Scotland: 1.10-1.15 pm The Scottish News. 5.55-6.20 Report-

LOOKING BACK on Chelsea Flower Show, I begin by wondering if any gardener actually missed it. This time last week, I was wedged in one of those crowds which make you wonder where the recession was ever dreamed up. They were queuing for tulips at £3 for 10 bulbs.

My path was blocked by a family who were choosing their second garden tractor; they wanted it for slopes which the first one mowed too closely. Book sales were booming and £20 was buying a few named delphiniums whose spikes, to my eye, were rather less dense in this dry weather than on any previous show.

There were the usual fine bowls of border poppies, an opulent line in lilacs and more of the orange-red lily Enchantment than I ever recall in one tent before. The colour-planning and the range of the stands in the Main Tent, struck me as higher than ever. This British style is so much subtler and more varied than the overpowering banks of this or that single plant or family which dominate the great European shows.

I felt sorry for the foreign exhibitors who tried to endure us to South Africa or the Dutch way of doing things by exhibits which were trumped on all sides by the British sense of nature and light horticultural style.

The design of the year was undoubtedly Regent's Park. There had been many attempts to combine water with a natural or romantic planting on a stand

in the big marquee, but Regent's Park had hit it right for the first time ever, effacing those memories of excessive weirs and rock-pools which stretch back through shows of the 1970s.

They confined their scheme to a winding strip of water under an arched stone bridge, apparently of coping stones, which supported mown turf and housed a suitable range of

hardy succulent plants. Yellow flag irises and clumps of their variegated form were set in and beside the water, among a well-matched series of hushes and plants for damp conditions, not least two clumps of the lovely Venus Fishing Rod. This plant, I think, has not turned up at Chelsea before, and although you had to be a gardener to spot it, I must pay tribute to the skill which advanced its flowering season from July to May and persuaded full-grown clumps to move happily into London SW5.

The design of the year was undoubtedly Regent's Park. There had been many attempts to combine water with a natural or romantic planting on a stand

keeping with water, stone and simple turf.

If you are cross at your rates, bills north of the Park, remember what pleasure a small part of your local government gave us all last week.

Reflecting the calm spring weather, the tulips were quite outstanding in the West Tulp season in living memory. It has been the perfect May for the most heavily-bred varieties which Chelsea shows us, as there has been almost none of the rain which otherwise knocks the larger heads of flowers off the necks of their stems.

There is no cure for this, but this year, it was hard to resist the royal flush of colour on Bloms stand, not least the pink-striped pink and yellow Twinkle, the exquisite mixture of pale yellow and pink in Sorbet and the outrageous match of

gold and scarlet in their large Flaming Parrot. All these superb varieties are head and shoulders above the smaller flowered Darwins with which most of us still make do. I think I would confine them to large tubs or pots where a few of their expensive bulbs would make most impact and best survive from year to year at their full flowering size.

For the front of a paved town garden, there could be nothing more spectacular. In the second ring for size and richness, I think that tulip Apricot Beauty is outstanding. Its true apricot colour would match splendidly with pale forget-me-nots and its strength in the garden is not in doubt. I am going bust on its next year.

So, too, I am intending to do justice to foxgloves. I have never seen better spikes on the form called Foxey and feel that I might now abandon a prejudice in favour of the old drooping flowers thickly set on spikes before breeders dreamed up Excelsior stems and left us with foxgloves with flower-tubes facing outwards horizontally. I tend to leave foxgloves to fend for themselves on a few small, dry banks where they are an extra bonus if they come to anything.

If you feed them, however, like the foxgloves on 17 London Road, you would have flowers on Foxey which rival any delphinium.

The foxglove is particularly willing to be moved and uprooted at any season, if given

Dream garden fulfilment at the Chelsea Show

Treacy Humphreys

enough water. This freedom allows you to bring a flowering plant into the house or move it where you like. I plan now to take more care with the best new hybrids and recommend owners of shaded city gardens to follow suit, especially if they can lay on a good soil and plenty of Phostrogen in the growing season.

As far from foxgloves as possible was the astonishing stand from the private garden of Maurice Mason, mounted up the hill on a hillside of greenhouses and the contents of his Norfolk greenhouses. Few private gardens would dare to take on the big nurseries on a stand of equal

size, and I doubt if any other two people could have stolen the show with their exhibit. Not many of its plants were familiar, but the devoted art behind the showing of the Epiphyllum tilandense, on supporting climbers was obvious to the crowds it drew. Again, there was a sense of design and combined colour which marks out a Chelsea exhibit at its best. The shapes and sizes of the green and purple forms of Aeschynanthus will live in the memory. As a large display of rare greenhouse subjects and succulents and cacti for a near desert garden, it has not been equalled by any nurseryman with an army of staff behind him.

## GARDENS TODAY

BY ROBIN LANE FOX

## Mark Your Card's chance

ON THE corresponding afternoon a year ago Pat Eddery steered two 3-1 winners of 13-runner events home at Brighton. He could again be the man to watch at that popular seaside track today.

Eddery, setting a fierce pace at the head of the jockeys' table, will be interested principally in the fortunes of Mark Your Card.

### RACING

BY DOMINIC WIGAN

ally in the fortunes of Mark Your Card. The former champion jockey who notched up 176 successes in Britain three seasons ago—a dozen more than Joe Mercer last year—looks to have bright prospects of landing the afternoon's most valuable event, the Clayton Handicap, on Evelyn de Rothschild's three-year-old.

Although Mark Your Card has yet to make the frame in attempts, there are grounds for thinking that a race such as this afternoon's six-furlong is within his compass. Clearly well thought of as a juvenile, he was sent to post as market leader for a 12-runner event at Lingfield on May 17.

proved a bitter disappointment. From over a quarter of a mile from home he was fighting a losing battle to hold his position. But that run came when almost all the inmates of Seven Barrows were falling victim to a virus which was to shut down Berkshire's most powerful stable. It seems safe to assume Mark Your Card was already sickening with the cough.

This season Mark Your Card put up a far more encouraging display at Newmarket on his seasonal debut—running a good

race behind Great Eastern in the Stewchworth Stakes.

While southern racegoers are heading for Brighton, turf enthusiasts in Yorkshire are likely to be descending on Catterick. There may be a change of heart in the afternoon's best prospect is Chumney, a 12-year-old, who was champion in the Stapleton Stakes. This progressive two-year-old comfortably dealt with all but the speedy Another Realm at Windsor recently.

### BRIGHTON

2.00—Sibonetti.  
2.30—Mark Your Card\*\*  
3.00—Lord Scrap  
3.30—Kinsford Flash  
4.00—Willbank\*  
4.30—Anusandus  
CATERICK  
2.15—Miss Poppy  
2.35—Charmant\*\*  
3.15—Sk Walk  
3.45—Spindrift

12.15 am Close: Personal choice with Dame Peggy Ashcroft.  
All IBA Regions as London except at the following times:  
9.30 am Hales and Batchelor Cartoons.  
9.50 Rad River starring John Wayne and Robert Taylor. 1.25 am Report on the Day. 1.25-1.30 Report on the Day. 1.30-1.35 Report on the Day. 1.35-1.40 Report on the Day. 1.40-1.45 Report on the Day. 1.45-1.50 Report on the Day. 1.50-1.55 Report on the Day. 1.55-2.00 Report on the Day. 2.00-2.05 Report on the Day. 2.05-2.10 Report on the Day. 2.10-2.15 Report on the Day. 2.15-2.20 Report on the Day. 2.20-2.25 Report on the Day. 2.25-2.30 Report on the Day. 2.30-2.35 Report on the Day. 2.35-2.40 Report on the Day. 2.40-2.45 Report on the Day. 2.45-2.50 Report on the Day. 2.50-2.55 Report on the Day. 2.55-3.00 Report on the Day. 3.00-3.05 Report on the Day. 3.05-3.10 Report on the Day. 3.10-3.15 Report on the Day. 3.15-3.20 Report on the Day. 3.20-3.25 Report on the Day. 3.25-3.30 Report on the Day. 3.30-3.35 Report on the Day. 3.35-3.40 Report on the Day. 3.40-3.45 Report on the Day. 3.45-3.50 Report on the Day. 3.50-3.55 Report on the Day. 3.55-4.00 Report on the Day. 4.00-4.05 Report on 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# THE ARTS

## Television

# All you need is the facts

by CHRIS DUNKLEY

The past week has been one of those in which the factual programmes have, by and large, represented better value than the fictional. *Rock Athlete*, a series which has arrived nationally on BBC 2 having previously been shown only on BBC North, investigates one of those sure-fire subjects of which few seem to see surprisingly few on television. It is concerned with people who are not only expert but enthusiastic almost (some times wholly) to the point of fanaticism, which is always a good beginning for television. Next, their activities take place outdoors in the countryside, which is a great bonus, particularly with colour television. Best of all in this instance, the action takes place at such speed that the viewer can see precisely what is happening and can appreciate the difficulty and contrast it with his own ability (or lack of it).

For those of us who take our technical knowledge of climbing entirely from television, and who have heard little about the changes in that world since television, with Chris Brasher, last covered the topic when Joe Brown and others climbed *The Old Man of Hoy* and so on, 10 or 20 years ago, these new programmes are eye-opening. It seems that the title has not been idly chosen: a revolution has taken place since those previous programmes and the climbing technologists who used to hammer and chisel their way up vast rock faces have given way to a breed of purists who evidently spend most of their time in the gym preparing to challenge sheer 15-foot boulders with only will power and talcum powdered fingertips to supplement their extreme fitness. One wonders why—excepting a few educational programmes for novices—television has ignored such a well suited subject for so long.

One knows exactly why Brian Moser's unique anthropological programmes which used to go out under the title *Disappearing World* have been missing for so long: the film technicians' union insisted he use crews of a size which would

have defeated the very object of the programmes. Now, somehow, he and his anthropologist wife, Caroline, and ATV and the unions have achieved an agreement which has enabled them to make three films in South America. The first, from the barrio area of Guayaquil, was as minutely observant and as engrossing as ever, even though the dangers of encroaching civilisation it showed were not those of disease brought to remote Indians, but those of slum dwellers tapping into the national grid to supply their still house with illicit power.

A purity of film making not so very far removed from Moser's was used to convey England's own Fen country in *A Sense Of Place*, with the difference that Geoffrey Haydon's visual lyric did not even have a commentary and was concerned only incidentally with social matters. Using just the photography of Jack Hazan, Colin Munn and Fintan Sheehan he evoked that wet, flat, misty, deeply dyked countryside with the sort of vividness that I associate with very few programme makers—Patrick Carey being the most notable and the most disgracefully under used. Earlier on the same evening *That's Life Report* joined the healthy expanding ranks of BBC programmes which have given up all pretence at being "balanced" even though—unhealthily—they don't proclaim it. This first episode dealt with the idea of using tape recorders during the interrogation of suspects by the police. It interviewed and quoted a wide selection of people in favour and none of those against. It was in a vigorous and admirable tradition of journalism and the BBC should be honest about it and call the programme *That's Life Campaign*.

Julian Jebb's BBC2 portrait of Nancy Mitford (reviewed below) was fascinating, and even if the last in the *Vikings!* series did confirm that you need a name like Magnus Magnusson before you can become really besotted with a succession of men whose names all sound like Snooty Trödelsohn, the factual



Derek Jacobi (Hamlet) and David Robb (Laertes) in BBC 2's 'Hamlet'

programmes were still on the whole more engaging than the drama.

*Hamlet*, for instance, which was the latest in the BBC's production of the entire canon, was a competent and fairly exhaustive rendering which, however, failed to produce that spark which is needed to fire the whole process. It is one of the greatest measures of Shakespeare's genius that even on a 10th or 20th viewing of the best known plays, the famous lines can in a really good production come up and hit you almost unawares with an invigorating novelty that forces you to think properly about the meaning all over again.

But this version achieved almost the reverse: one sat there thinking "Uh hah, here we go—Angels and ministers of grace defend us," or "To be or not to be," or "It can't be long before 'Alas poor Yorick'." Given that a television production, aiming for a multitude of viewers unfamiliar with the play cannot afford Richard Eyre's current ploy of having

Hamlet himself play the ghost, or Berckoff's relinquishment of the arras, but must stay pretty tightly within the conventions, there should still be some space for freshness.

Tony Bicat's *Electric In The City* was the latest in what is becoming a tedious succession of beautifully filmed but deeply pretentious and obscure plays about social disintegration heralded by urban decay. I think Pollock essayed something similar with *Bloody Kids* and Hare tried with *Dreams Of Learning*.

Most amusing play of the week was Frank Cvetanovich's gorgeously photographed account of the Gay Future affair, a real life "sting," called *Murphy's Stroke*. But, of course, that was more fact than fiction.

Isn't it odd how inaccurate one's impression can be of a television report of some live event? Immense eulphoric articles following the TV coverage of the Iranian embassy siege have made it clear that ace girl reporter Kate Adie, the BBC's undroppable heroine of the airwaves, was cool, calm and coherent when her big moment came. It seems that with scarcely a pause for breath she kept an anxious population bang up to date with a lucid stream of detailed description of all that was occurring.

In an endearingly immodest full page encomium to BBC Television News in the current *Listener*, Alan Fothergill, editor of BBC Television News, explains how "In any group of journalists there is a collective experience, a perception, a degree of knowledge, that makes inspired guesswork and cast-iron deduction comparatively easy... Our assessment, made at the earliest stage, turned out to be absolutely correct: we were sure this siege could not be resolved without the intervention of the SAS or a similar group."

He concludes that "... the world watched a definitive example of just how high standards of broadcast journalism really are in this country." This expression of national pride presumably extends to the BBC's competitors at ITN who

appeared to provide much the best pictures with the result that their coverage, unlike the BBC's, actually got into the JICTAR Top 20.

How intriguing, though, to learn that the BBC realised from the earliest stage that the SAS would have to go in. When they did so, Kate Adie, well prepared with this knowledge and plied with research from the back-up team, was presumably saying: "And here comes the SAS in the all-black outfits they wear for purposes of anonymity and shock. And that was one of the stun grenades they last used in earnest at Mogadishu," and so on.

Yet my distinct recollection is that the lady seemed just as mystified as those of us at home. "A couple of minutes ago there was a big explosion... there's a lot of smoke... but nobody knows what's going on" is the sort of bewildered comment that has somehow stuck in my mind. Most extraordinary of all, others who watched with me had precisely the same strong impression that Kate Adie failed to say whether the explosions came from inside or outside the embassy and even whether the men in black were going in or coming out; confusion appeared to reign. Astonishing how easily false impressions can be spread, isn't it?

## RNCM Manchester

# Two Venuses

Kent Opera's Baroque double bill, recently given a premiere at Manchester, offers two choice short works from opposite ends of the 17th century. Both are more masque than opera. Monteverdi's *Il ballo delle ingrate* (1608) was a ceremonial piece for the court of Mantua. Blow's *Venus and Adonis* (about 1680) was intended for private performance before Charles II, whose mistress Mary Davis and their child played the roles of Venus and Cupid. *Venus*, though overshadowed by the later *Dido and Aeneas*, turns up fairly often. Monteverdi's *Ballo*, which has more to offer a modern audience than the much-praised *Turcotti e Clorinda*, has been largely neglected.

Venus and Cupid appear in *Il ballo* as well as in Blow's masque. In Monteverdi they intercede with Pluto to allow some ingrate (ladies who refuse their lovers their favours) to return to earth for a while from the underworld. They dance, and as they leave, one of them turns to sing a doleful lament. All the music, including the immortals' often ornate recitative, is of exceptional expressiveness. Kent Opera's producer, Christopher Bruce, a new recruit to opera, did the choreography as well. The designer is Nadine

Baylis. Her dancers' costumes are excellent, her Venus a shiny-nosed frump. Venus and Pluto both move awkwardly on huge platform soles, presumably to raise them above a tall, treble Cupid (Richard Quine). The set is witty and (at Manchester, at least) unsympathetically lit.

The dances, and not only the operatic standards, are distinguished in conception and performance. Nevertheless, Mr. Bruce and his designer slightly misjudged the mood of *Il ballo* as a whole. The intense poignancy of the music for the ingrate (marvellous use of dissonance in the off-stage chorus at the end) cannot fail to make an effect—for the rest, this is not black tragedy but a courtly hint to the Mantuan ladies (did they need one?) not to be obdurate. In this staging the scenes for the immortals, well as they were sung by Eirian James (Venus) and David Thomas (Pluto) were too dark and solemn. Mary Beverley was worthy of the beautiful lament which is the finest page in this remarkably varied little work.

The *Venus and Adonis* is a re-working of Norman Platt's earlier production for this company with pleasant designs by Jean Jones and new choreography by Christopher Bruce. Here again, the dances are well

above the average—they include a pas-de-trois for three graces serenely danced by Christine Hocking, Philippa Luce and Nan Wigglesworth. The outstanding soloist was the Adonis, William Shimell, who made instant contact with the audience and let us hear every word—Anne Ridler's translation of the Monteverdi had been nearly lost. The second Venus of the evening was Patrizia Kwella, easy on the eye and a communicative singer once the voice warms up. The second Cupid was a mezzo, Luce Garreau, livelier than her male predecessor but strangely made up with cheeks rosy enough for Bacchus. The work is a charmer, and well deserves Kent Opera's faithful advocacy.

Roger Norrington conducted his edition of both works, *Il ballo* given a semitone higher. Venus a semitone lower, than written (which means that if authenticity had been rife in the unregenerate 30's, one would never have had the rare pleasure of hearing the mezzo Conchita Supervia sing Monteverdi's Venus in a BBC broadcast). The small instrumental forces used were enough for this theatre, though a little more vigour might have spurred soloists (the Adonis excepted) and chorus to make more of their words. RONALD CRICHTON

## Festival Hall

# Los Angeles Philharmonic

The Los Angeles Philharmonic Orchestra's second London concert on Sunday evening, and the last of their European tour, was again conducted by their Music Director of 18 months, Carlo Maria Giulini.

That is probably still too short a time for a conductor to make his deepest mark on an orchestra; but already some recognisable Giulini trademarks have emerged in the playing—a leanness to the sound, a muscular contrapuntal sense, a fine clarity of texture and movement. The emphasis is on the long line, and on forward momentum: less on savouring or lingering, or on the finer points of textural and rhythmic detail, which seem by and large to be left to look after themselves. And that, by and large, they do very well. In a Giulini performance there is a sense not so much of a powerful interpretative personality at work dissecting and recreating

a score, as of a careful and scrupulous musician concerned above all to convey what the composer has written down on paper with the utmost fidelity and clarity.

In Giulini's case, this scrupulousness also goes hand in hand with a kind of reserve: a cutting off, clearly quite deliberate, and nothing to do with loss of nerve, whenever the temperature of the music threatens to rise above a certain point. That white, shimmering heat in which almost every bar of Toscanini's was born—alive in every nerve, at once exhausting and intensely exciting—is a climate Giulini never aspires to. Many conductors do: though few succeed. But Giulini draws his inspiration from another region entirely, and in the cool of the late afternoon, where the mind is clearer, the heart less demanding, and the spirit more calm.

There were substantial pleasures to be had from this approach on Sunday: and the

cut-off points, as they arrived, were essentially the only disappointment. The tempi for Mozart's *Jupiter* symphony were firm and easy; a careful, civilised reading, every strand in place. The minuet was a special delight, sweet and cool, taken at a slow-swinging one in a bar. Only the finale seemed, less fierce, and grandly soaring than it might (have the English and American languages really moved so far apart that the LAPO's programme-writer can begin his note, "Even for a composer as facile as Mozart..."). Chaikovsky's sixth symphony was the evening's only other work, cogent, well made in all its parts; but strangely (some might say, crucially) without animal excitement, savagery in its timbres, despair in its heart. A degree or two more weight to the string tone at climaxes could have made all the difference. DOMINIC GILL

## BBC 2

# Nancy Mitford

An encounter with the Mitford family en masse is enough to turn anyone into a raving Communist—which it seems is pretty well what happened to Jessica Mitford, though obviously that was not the concern of Julian Jebb's programme, *Nancy Mitford*, subtitled "A Portrait By Her Sisters". It was not so much the very very plummy accents and the concrete trappings of inequality which counted but the family's sheer other-worldliness.

"We all travelled third class," said Pam in one of the programme's vivid anecdotes, and then, with all the unconscious superciliousness of the duchess in the music hall joke who took her first bus ride and gave her address to the conductor, "In those days it wasn't normal to travel third class."

The late Nancy herself, in

one of several clips of archive filmed interview, trilled: "I went to the Slade school because I thought it would be rather nice to be a painter's wife. But Professor Tonks soon put an end to that. He said I had no talent." People who did have talent but no chance at the Slade doubtless found this less hilarious than Nancy did. As Jessica said, the Mitfords felt that: "The whole world was a tease put on for our benefit"; that is, that the rest of us were a sidshow mounted specially for them.

Yet nobody has satirised this nightiness, haughtiness, and clamorous better than Nancy herself, or the readings from her very funny books proved. Moreover each of the surviving sisters interviewed in her home (Pam, the Hon. Mrs. Derek Jackson, on her country estate; Deborah in her American house; Jessica, the Duchess of Devon-

shire, at Chatsworth; and Diana, Lady Moseley, at her French chateau) proved to combine some of Nancy's inward looking ridicule with the hauteur they seek to imply is mock. In the end, though, this finely edited programme with its snapshots and letters supplementing the filmed material, hinted that even the Mitford satire may be private property rather than real public self-deprecation. What might be healthy self-knowledge in others looks like self-satisfaction in the Mitfords, so deep and exclusive that it can masquerade before the rest of the world as irony or even sarcasm without actually harming the family. The oddest thing of all as the programme so cleverly revealed, is that even at its most arrogant such strong family loyalty and self-sufficiency can be highly attractive.

CHRIS DUNKLEY

## Albert Hall/Radio 3

# Gothic Symphony by ANDREW CLEMENTS

The burgeoning interest in Havergal Brian effectively began in 1966 with the first professional performance of the *Gothic Symphony*, conducted by Sir Adrian Boult. Then its spectacle and massiveness excited the interest of a wider musical public, and at least brought its composer's name into the open; Brian's music ceased to be the private province of a handful of devotees led by Robert Simpson. Sunday night's performance, again in the Albert Hall, and this time played by the London Symphony Orchestra conducted by Ole Schmidt, could be seen to close the first phase of Brian's rehabilitation: a number of the symphonies are now available on record, the BBC (prompted, one imagines, by Dr. Simpson) has made studio recordings of more of them, and they have created for him a niche within that great battalion of vigorously championed composers who fall under the

banner of "English music." That the *Gothic Symphony* should have sparked the revival is understandable. Few works of any kind demand an orchestra of 156 and a choir in excess of 500 and offer such visual entertainment; helpfully, it was also Brian's first surviving symphony and a bridge between his previous large-scale choral works and the vast corpus of symphonies that was to follow its final completion in 1937. And, for the agnostic, it demonstrates in a single package many of the faults and problems of the later music.

For, despite its enormity, the *Gothic* finally does not live up to its ambitions. The plan crowns three conventionally-sized symphonic movements (using a straightforward large late-romantic orchestra) with a massive setting of the *Te Deum* text. The music of the first section prefigures much in the later symphonies: the con-

gested, rebarbative textures and obsessive rhythmic devices, a fondness for consigning the burden of the thematic argument to the lowest reaches of the orchestra, echoes of Strauss (to whom the symphony is dedicated) in the climax of the first movement, and of Bruckner in the scherzo.

The voice is undeniably original, and in its single-mindedness remarkable for the work of an English composer in the 1920s. (Apart from the very different Frank Bridge, it's difficult to think of any other of Brian's peers writing such difficult and uncompromising music.) Brian was for a long time bundled together with Bentock and Boughton as part of a forgotten generation of English composers: very different from them, but equally dated. That, on the evidence of just these three movements, is patently unfair.

But when the *Gothic Sym-*

phony becomes a hybrid work—with its ancestors in Beethoven's Ninth and Mahler's Eighth and successor in Tippett's third symphony—then its difficulties begin. For in no way does the first part of the symphony prepare one for the extraordinarily gross celebration that counterbalances it. Loose ends are not tied in, nor mysteries in the preceding music explained; its impact is merely swamped. The deliberate archaisms—the moments of organum and hazy quartal harmony—grate; the listener is baffled to hear them colouring what had begun as a respectable late-romantic symphony.

The increasing compression of Brian's later symphonies is hardly surprising after the catharsis of the *Gothic*. But that most throw grave suspicion on his sense of musical architecture, on his ability to fashion a gratefully proportionate work. The essence of the music is strong, but its continuity hampered. Even within the choral section there are moments of great originality, particularly the use of the chorus a cappella, and the restraint of some of the writing for the bass choirs. But as a completion to a symphony it is as unsuccessful as the attempts to "complete" Bruckner's Ninth by grafting on his *Te Deum*. While the *Gothic Symphony* can attract such committed performers—Mr. Schmidt conducted a heroic performance, to which the multitude of choirs and soloists responded tremendously—it will continue to receive occasional festive revivals. But the one-time "neglect" of Havergal Brian seems increasingly likely to become the Havergal Brian "problem."

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The greater understanding of financial management techniques for non-financial managers is the purpose of a two-week course arranged by the Financial Times and the City University in London on 14-25 July 1980.

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This course was first held in 1977 and each year has attracted substantial support from Britain and abroad. The suggestions of tutors and participants from previous courses have been taken fully into account in preparing this year's programme and the sponsors believe its value will have been increased still further.

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## Arts News in brief

American jazz stars Max Roach, Kenny Burrell, Dave Liebman, and Sheila Jordan are among those appearing at the Sixth Jazz Weekend to be held at South Hill Park Arts Centre, Bracknell, on July 4, 5 and 6.

On opening night George Farnham and the Blue Flames, Rocker 88 (which includes Jack Bruce, Charlie Watts, Don Weller and Alexis Korner) and American tenor-saxist Hal Singer head the bill.

On Saturday the quintet led by saxist Dave Liebman will appear as well as the group of guitarist Pat Metheny, Ian Carr's Nucleus, the Moe Koffman quintet and the London

Jazz Composers Orchestra. On Sunday the groups of Roach, Burrell and singer Sheila Jordan will share the day with several British bands.

Full details of the arrangements for this widely acclaimed annual event are available from Tony Bellekott at South Hill Park (0344 27272) or from the Jazz Centre Society, at 580 8532, who are festival consultants.

The National Theatre is to *The Elephant Man* was first American-born dramatist Bernard Pomerance. It will open in the Lyttelton Theatre on July 15. The play is the story of John

Merrick, a freak show exhibit in Victorian London, who was named *The Elephant Man*, and his rescue by the eminent surgeon, Sir Frederick Treves.

*The Elephant Man* was first seen at the Hampstead Theatre in 1977 in a co-production with Foco Novo. At the NT, David Schofield is to appear as John Merrick—the part he created at Hampstead—and Peter McNery as Treves. Also in the cast are Arthur Blake and Jennie Stoller, who were in the Hampstead production. Peter Bourke, Dallas Gavel, Anthony Falkingham, Peter Howell, Karina Knight, Audrey Noble, and Heather Tobias.



## FINANCIAL TIMES

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## Mr. Reagan's chances

MR. RONALD REAGAN is now virtually certain to be nominated as the Republican candidate for the Presidency in this year's US elections. Given President Carter's frequently low ratings in the opinion polls and the weaknesses of the Carter record in office, the possibility of a Reagan victory in November must be taken seriously.

## Disadvantages

The former Governor of California starts off with a number of well-known disadvantages. The first is his age. Mr. Reagan is 69. The second is his reputation as a one-time movie actor which is not generally reckoned to be the stuff of which American Presidents are made. The third, and most serious, concerns a whole range of policies and attitudes. Mr. Reagan is not only grossly well to the right of the political spectrum; he also has a tendency to shoot from the hip and to oversimplify. It is not easy to imagine, for example, that the U.S. could resolve its energy problems simply by abolishing the Department of Energy and by giving full rein to the oil companies. Mr. Reagan has recommended. It is an entirely comforting either to imagine him in charge of American foreign policy.

Yet, in a race against Mr. Carter, he also has assets. It is as absurd to dismiss Mr. Reagan for his cinematic background as it is to dismiss Mr. Carter for having been a peanut farmer. It smacks of intellectual snobbery. Mr. Reagan was twice elected Governor of California, a complex and populous state by any standards. He won the reputation of being ready to listen to advice and able to run a team. He did not always do in office what he promised, or threatened, in his campaign.

Moreover, for all the accusations about his lack of business, he can be very little doubt about his motivation. Mr. Reagan twice sought the Republican nomination before: in 1968 and again in 1974 when he almost toppled the incumbent, Mr. Gerald Ford. He is a formidable politician who clearly wants to win.

## The future of Immos

THE GOVERNMENT cannot delay for much longer the decision on whether to provide Immos, the micro-electronics venture set up by the National Enterprise Board, with the second £25m tranche of public money. Sir Keith Joseph, Secretary for Industry, may be hoping for some enlightenment when he visits electronic companies in the U.S. this week, but no doubt the advice will be just as conflicting as it has been in the UK. Any hopes that General Electric Company, Britain's largest electronics group, would solve Sir Keith's problem by taking over Immos appear to have evaporated; discussions between GEC and the NEB have ended and are unlikely to be revived. Immos was started under the Labour Government, but the new Tory-appointed NEB gave its blessing to the second £25m some months ago; thus Sir Keith's decision is bound to have an impact on the credibility and status of the NEB.

## Fast growth

There have been two main arguments for giving ahead with Immos. The first is that the UK needs to devote more of its resources to high-technology industries, especially fast-growing sectors like micro-electronics. Because new investments of this sort tend to be expensive and risky, the private sector cannot be relied upon to finance them. There is a financing gap which the NEB is ideally placed to fill.

Unfortunately there is no way of proving whether this gap exists or not. A good many high-risk ventures have attracted support from the City. The fact that Immos has not done so, despite the impressive credentials of the three entrepreneurs who conceived it, does not necessarily indicate that the City is wrong or short-sighted. It is undeniable that Immos will be competing against powerful American and Japanese companies in an industry where the mortality rate among new ventures is high. It is a very speculative proposition. There is no way of justifying support from public funds unless it can be demonstrated that the national interest requires this particular micro-electronics venture to be set up in the UK.

This is where the second argument for Immos comes in. It has been claimed that Britain's electronics companies will be at a disadvantage if they have to buy their micro-processors and other semi-conductor devices from overseas. So important is the "micro-chip" to the development of the end-

Mr. Reagan's problem now is how to convince the electorate that his potential assets outweigh his obvious disadvantages. He has no shortage of advisers flocking to his cause. On the economics side, Mr. Arthur Burns, Mr. Alan Greenspan and Mr. George F. Schultz are all there, each of them respected figures during previous administrations. A comparable list could be given on the defence and foreign policy side. There is no shortage either of candidates for the Vice-presidency—a crucial choice because of Mr. Reagan's age. Senator Howard Baker, Mr. George Bush, and even perhaps Mr. Ford are all possibilities.

Yet it is one thing to be ringed by advisers, and another to show that the advice is being heeded. Mr. Reagan so far has given very little idea of what he would like if elected. It is the image of the cowboy rather than the Governor of California that remains in the mind, and not only among non-Americans. The campaign for the nomination has done nothing to change that. Mr. Reagan is remembered because of his call for a blockade of Cuba; he has not advanced a coherent foreign policy. His economic thinking appears to stop at the demands for across the board tax cuts and less bureaucracy. He could be exceedingly vulnerable in a campaign where he was asked to explain his policies in more detail.

## Opportunity

In the next few months Mr. Reagan will have the opportunity to say more precisely what he is offering and clearly his speeches will receive more attention. There will be those who will advise him not to abandon his narrow Republican base which has already brought him so far. There will also be an opportunity, however, to go wider and to seek support from those who do not normally vote Republican. Mr. Reagan could take the initiative now by making a series of carefully prepared speeches on all aspects of policy. The chance of victory is there. He has yet to show that he deserves it.

product, according to this theory, that an indigenous design and manufacturing facility is essential; even the presence in the UK of foreign-owned semi-conductor companies would not prevent British users from coming later in the queue than their American or Japanese rivals.

Yet this is really a matter of corporate rather than national strategy. Some European electronics companies have bought into the U.S. semi-conductor industry because they want an in-house source of expertise and production. Others feel no need to do so, because they believe that "micro-chips" will be available from a variety of different sources and their own efforts will be devoted more profitably to the application of these devices than manufacture. Time will tell which of these strategies will be more successful, but it would be ludicrous to suggest that the British electronics industry will wither away if Immos, or something like it, is not established in the UK.

## Uncertainty

Immos has to be judged on its own merits. Because £25m of public money has already been spent it does not follow that the Government should be obliged to go on supporting it; if it was a bad project to start with, it is no less bad today. Nor should the Government feel inhibited about overruling its own appointments on the National Enterprise Board. Immos has always seemed the most ambitious and least credible of the NEB's high-technology ventures. It represents a large commitment in an uncharted territory and it is right that Ministers should have the final say, just as they do over Rolls-Royce and BL. It is unfortunate they have taken so long to make up their mind; a decision appeared to be imminent towards the end of last year. The uncertainty has been unfair to the founders of Immos and its employees.

The right course now is to secure private-sector participation in the next stage of funding for Immos. It is hard to believe that, having received £25m from the Government, having established pilot production facilities in the U.S. and having put together a team of engineers, Immos is not in a position which could attract outside investors—if the project is sound. Without a substantial private involvement—preferably at least 50 per cent of the new funds required—the Government should withdraw from the project.

CONCERN IS mounting in the Midlands about the speed at which the economy is moving into recession. The latest survey of companies conducted by the West Midlands region of the Confederation of British Industry reveals a continuing fall in home demand, a decline in export orders, planned cuts in investments and a crumbling of business confidence.

"I doubt whether the Government yet appreciates the plight of manufacturing industry and the speed at which it is being destroyed," says Mr. Reg Parkes, chairman of Brochouse and of the regional CBI.

Trade unions are expressing alarm at the state of redundancy announcements, particularly in the depressed automotive industry, which accounts for more than one in six of the region's manufacturing jobs.

Renold is to close its Coventry motor components plant with the loss of 800 jobs; GKN Sankay plans to shed 900 jobs; Wilmot Breeden wants a reduction of at least 300 workers, and Lucas Electrical is still reviewing prospects for its 14,000 Midlands employees.

To add to the gloom, several of the region's leading companies—GKN, Delta Metal, Cadbury Schweppes and Brochouse—all issued warnings last week about the deterioration of home markets.

The change in the business climate in recent weeks has been dramatic. Mr. John Warburton, director of the Birmingham Chamber of Commerce, says a survey of member companies in mid-March during the national steel strike demonstrated "a surprising but encouraging resilience with both home demand and exports holding up better than expected."

The sudden reversal of confidence came early in April. The shutters came down quickly and markets have been sliding ever since. "The steel strike masked the downturn that was taking place,"

According to one leading Midlands banker, companies continued to place orders during the dispute as a guarantee against disruption.

"Once the action ended, many managements found their stock higher than expected and reassessed their position against depressed home and export demand, record interest rates, rapid inflation and mounting pressure on cash flow."

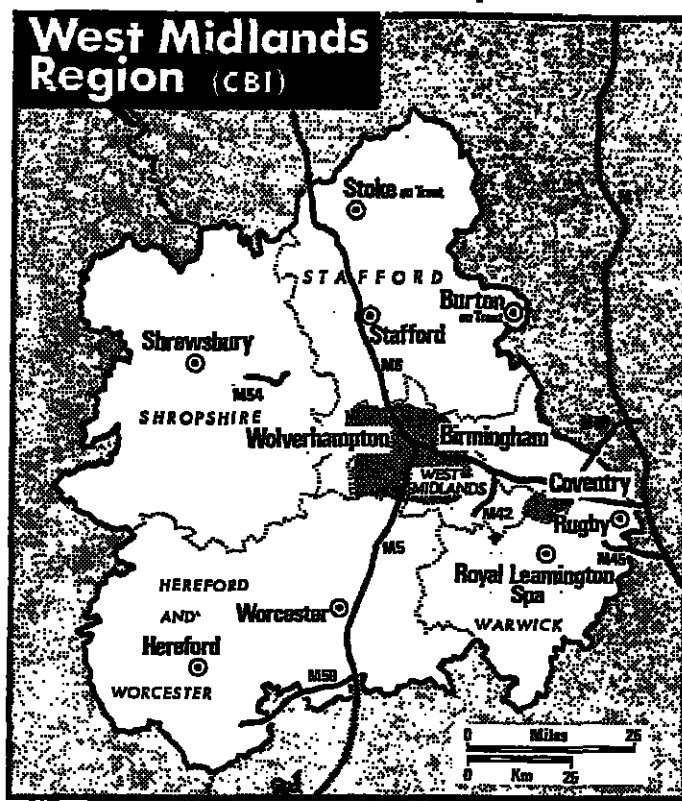
The extent to which the present sharp fall in orders is due to de-stocking and therefore a partially temporary drop is a matter for argument.

Mr. Eric Swainson, managing director of IMI, says: "In the first three months of this year there was probably home undue optimism in the Birmingham area. Now that markets have started to turn down there could be some over-reaction."

The picture for IMI with its broad range of interests is mixed with some markets, such as fluid power and building pro-

duct, according to this theory, that an indigenous design and manufacturing facility is essential; even the presence in the UK of foreign-owned semi-conductor companies would not prevent British users from coming later in the queue than their American or Japanese rivals.

Yet this is really a matter of corporate rather than national strategy. Some European electronics companies have bought into the U.S. semi-conductor industry because they want an in-house source of expertise and production. Others feel no need to do so, because they believe that "micro-chips" will be available from a variety of different sources and their own efforts will be devoted more profitably to the application of these devices than manufacture. Time will tell which of these strategies will be more successful, but it would be ludicrous to suggest that the British electronics industry will wither away if Immos, or something like it, is not established in the UK.



ducts, down and others unaffected. A similar pattern is reported at Glynwed, the Birmingham-based concern active in steel stockholding, industrial fasteners, bathroom and kitchen equipment and consumer durables.

Mr. Leslie Fletcher, Glynwed chairman, maintains: "The drop did not really begin to show until about four weeks ago, with the real impact falling on the High Street and consumer durables."

He points to the danger of companies panicking in the short term, thereby accelerating and deepening the move into recession.

The apparent drop in consumer spending is highlighted by Sir Adrian Cadbury, chairman of Cadbury Schweppes, where home sales have fallen below forecasts.

"We are going through a period where the main element depressing our sales is the run-down of stocks in the shops—both because of reduced spending and high interest charges. I am more optimistic for the year as a whole than sales for the past couple of months would indicate. The impact on the manufacturer is sharp in the short term, but we shall eventually gear our production to the new level of trade."

The UK downturn in demand for Cadbury Schweppes products has been fairly general, with the exception of sales to the licensed trade and catering.

"People still appear to be drinking in the pubs and eating out. One possibility is that increases in the male pay packet are not getting through to the housewife," Sir Adrian suggests.

The gloom has spread even to the successful pottery industry which has remained buoyant over the past couple of years, largely by pushing

the pace of the Midlands economy is the health of the UK vehicle assembly industry. Last year BL Cars was named to produce 725,000 vehicles, but made only 503,000.

Estimates of likely output this year vary between components suppliers but some expect a further drop of around 20 per cent both because of the weakness of UK demand and problems in export markets. Ford car assembly in the UK is also expected to be down. Owen's two factories at Darlington in the West Midlands, which produce wheels and pressings—the bulk of them for BL—provides a good indication of the impact upon basic suppliers of the downturn in UK vehicle assembly. The two plants,

movement worldwide. Mrs. Nelson is convinced, on the basis of a study made a year ago that something like 60 per cent of Americans abroad will vote Republican: "I wouldn't have taken on the job otherwise."

She is also convinced that the 2m expatriates, equivalent to the 14th largest American state, could and should make a significant difference this time round. One of her platforms is that the expats merit some kind of separate representation. Her other central concern is double taxation, a subject it would be unwise to broach with any American in London prone to depression. "I pay 50 per cent of my income in tax, and I'm a lawyer," says Mrs. Nelson with feeling.

However, on both fronts things are looking distinctly more hopeful. Until the end of 1978 expatriate Americans—already subject to Federal taxation wherever they lived—also found themselves subjected to state income tax if they exercised their vote. The democratic participation of Americans abroad tended, therefore, to be on the meagre side.

**Chinese takeaway**  
Coca-cola and all that it implies has evidently gone to the heads of the Chinese. While health food has been the established fad for some time in the West, China is busy catching up with the delights of the TV dinner.

The rationale, apparently, is to "devote ourselves more fully to the country's drive for modernisation." It was estimated at a national scientific and technological conference in Peking that in each of 30m households in large and medium-sized cities, an average of three hours a day are spent on cooking. "This," observed a Government official, "is a waste of time that could be used for the good of the country."

The 174 food specialists and government administrators at the conference—the first of its

BY ARTHUR SMITH, Midlands Correspondent



ahead in overseas markets. Companies now report that the strength of sterling in competitive export markets is posing problems while domestic sales have been hit further by the reduction in the number of tourists visiting the UK.

Activity in the engineering and metal bashing industries, where the bulk of West Midlands manufacturing is concentrated, has slowed. The engineering industry appeared earlier this year to have made some recovery from the damaging effect of the national two-day strikes and overtime ban of last autumn, but many companies now report up to 30 per cent spare capacity and weakening order books.

But the key factor determining

**The steel strike masked the downturn that was taking place... the number of recent redundancies is frightening.**

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kind ever held in China—agreed that development of convenience foods on a large scale would not only save cooking time, but would also offer better nutrition. This is an argument I had not heard before.

## Card from Hugh

The battle between the House of Fraser and Lorrho, its largest shareholder, over increasing Fraser's net dividend by 2p, has been compared by certain unkind persons to a fight between your mother-in-law and her landlord: you don't really mind who wins.

This wholesale indifference is entirely lost on Lorrho, whose deluge of harangue and circulars threatens to denude the nation of pulpwood. Fraser has taken a considerably more demure line. Beyond issuing a circular urging shareholders to reject Lorrho's argument when it put down a special resolution for the AGM, Fraser remained silent until yesterday, when a little printed postcard, from Sir Hugh Fraser plopped through my letterbox.

"You may receive," it says with quiet ridicule, "yet another letter from Lorrho quite soon but, in any event you can be sure I will write to you to deal with any significant points." An elegant and economical riposte, Sir Hugh.

## Dobbin's ducking

To heighten the flavour of authenticity at last weekend's re-enactment of the Rainhill Trials, the organisers decided coal for the steam engines was to be mined locally... and delivered by way of canal in a horse-drawn barge. Horsepower, however, is not what it used to be. Quite overcome by the occasion, the four-legged friend enlisted for the historic task held up proceedings for some time by falling into the canal.

**Observer**



cent, masks the problems of depressed towns such as Wolverhampton at 7.5 per cent and Telford at 9.3 per cent.

Mr. Chris Walliker, director of manpower at Delta Metal and chairman-elect of the regional CBI, warns: "The major problem we are going to face is unemployment and the social problems it brings with it. The number of redundancies announced recently is really frightening and I think it will get worse."

He points out that the burden of unemployment is unequal, with the impact tending to fall upon the young, the less skilled and the ethnic minorities—a situation which could lead to social unrest in areas such as Wolverhampton and inner Birmingham.

Mr. Walliker expressed the fear of many Midlands industrialists that the Government might be ignoring their plight is expressed by Mr. Swainson of IMI: "Companies cannot succeed with high inflation, high interest rates and a strong pound. These three together are incompatible with a prosperous industry. One of them has got to go."

He urges the Government to "get somewhere but quickly—even to the extent of taking a risk."

Mr. Parkes, as regional chairman of the CBI, argues that the Government should moderate its policies, seek to establish a political consensus and enter into a dialogue with the trade unions. "I believe in monetary policy, but this Government is operating on a political time-scale, not a commercial one. The Government must look again at its strategy. If at the end of the day we have no industrial base, where do we go? There is a great deal of talk about the Phoenix rising from the ashes. But what if we are left with just the ashes?"

The widespread concern about export prospects, given the continued strength of sterling, is voiced by Mr. Richard Wootton, UK sales

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# ITV's southern flank under attack

BY ARTHUR SANDLES

ONLY A few months ago the burning issue in the run-up to the ITV contracts reallocation—putting breakfast television aside for a moment—was speculation about who would be joining the race to replace Associated Television (the TV subsidiary of Lord (Lew) Grade's Associated Communications) from its Midlands area contract. The Midlands was thought to be the most tempting bait for the growing pack of potential bidders.

Now it seems the gossip was looking in the wrong direction. It is the prosperous pastures of England's south and south-east which have recently drawn the greatest attention. The defending contract holder, Southern Television, faces a considerable array of rivals. Six other companies are eager to take over the running of commercial television in this area, a rush which is matched only by that for the breakfast franchise and is far heavier than for any other of the present contract regions. Southern clearly has a battle on its hands.

It is not difficult to see why this area has proved such a magnet. Greatly enlarged for the new contracts, which start in 1982, it stretches from the rolling hills of Hardy country in the West, through a string of comfortably fat coastal resorts, past the urban and industrial sprawl of Southampton and the bustling Brighton to the densely populated Medway valley. To the south its signal is largely of interest only to lighthouse keepers and mackerel schools, but to the north it nibbles into the Surrey stockbroker belt. It is an area which, as a whole, feels recession last and revival first.

So large is it, and so diverse, that the Independent Broadcasting Authority considered creating another separate region from the eastern-most portion. In the end the IBA

shied away from Kentish separatism—in spite of "some local government representations"—due partly to the organisational and technical problems involved.

It seized on its own findings that the emphasis of "public demand was 'on local programming rather than on any need for a separate company'" and has offered a dual franchise—one in which the programme company has to provide a degree of separate identity to differing parts of its area.

The IBA's decision to adopt this system comes after a decade of what it sees as the success of a similar experiment in Wales and the West with HTV. The killing of TVW and its replacement with HTV in 1969 was the bloodletting of that round of contract competition and the fact that the Authority has introduced the HTV system in both the South and the Midlands areas in this

better than to quote the IBA itself.

"The Bluebell Hill transmitter serves primarily the Medway towns and an area extending south beyond Maidstone, and eastwards along the North Kent coast to include Sittingbourne and the Isle of Sheppey. Its coverage also extends some way westwards into South East London.

"Local authorities in the parts of Kent served by the station have indicated a desire for their area to be served by the contractor covering the rest of the county; and there has been evidence from public meetings of a similar desire among viewers. In considering the possible transfer of the station from the London ITV region, the Authority took account of the effects that the reallocation might have on the ITV system. The station has a gross coverage of almost 1.5m people; but only 500,000—all in Kent—receive a better signal from Bluebell Hill than from the main London transmitter at Crystal Palace, and not all of these choose to tune to Bluebell Hill.

"If Bluebell Hill were transferred to the South of England region, it is unlikely that all its potential viewers would cease watching the London ITV service. The loss of revenue would not be likely seriously to weaken the London companies; and the loss for them would be partly offset by saving the costs of providing local coverage to the Bluebell Hill area.

But there is a great deal more to the temptations of its South than simply the addition of its eastern tip. Not least of these is that Southern's rivals see the incumbent as vulnerable in two fields—ownership and programming. Southern is owned by the Rank Organisation, Associated Newspapers and D. C. Thomson. For an



## SOUTHERN TELEVISION

The defending contract holder serves an area turnover was £24.8m compared with £29m in 1978; pre-tax profits dipped from £4.8m to £3m. Spending on programmes, however, rose last autumn hit turnover and profits—1979 by £2.3m.

Authority which is putting itself to considerable inconvenience to sound out local views and has made no secret of its eagerness to encourage local participation in both creative and financial operations, this type of ownership may not be considered ideal. Southern has also consistently operated as "arms length" system with its controlling shareholders, and there is little doubt that the competitors will make great play of real or pretended financial democracy.

On the programme side, Southern is accused of being unadventurous, but in the past year national viewers will have seen the tip of the Southern iceberg with the Welsh Cammidge children's series—"one of the finest things ever made by Southern and it has become

virtually overnight, a national institution," said chairman C. David Wilson in his annual report—and the drama series about the army, *Spearhead*.

In fact, as those trying to win the franchise away from Southern will discover, the company shows considerable flair in local programming. Day by Day is a high quality news and current affairs series and Southern has involved itself in everything from Clydesdale or sea angling. In making a bid a challengers may be able to claim the creative genius necessary for national headline grabbing programmes; he has greater difficulty in proving the ability to cultivate a local audience at flower show level. The promise, of course, will be made. British Rail Pension Funds and the Charterhouse Group provide the financial

backbone to a group which includes local newspaper publishers and the Haymarket Publishing Group. Early in its application it strikes the Southern's first perceived weakness with the promise that "over half the company will be owned in the southern region." It goes on to suggest that it would build a new studio centre in Maidstone costing "upwards of £7m, and will make around 400 hours a year of programmes exclusively for Kent and East Sussex, compared to the present output of only 100 hours per year from the existing contractor."

But why should Southern, or any other incumbent television franchise holder, be worried about such growth from an envious pack of outsiders? Perhaps the answer can be found in a perceptive circular to

clients produced recently by TMD Advertising:—"The only way the IBA can exert real pressure on the companies to maintain and improve their programme standards—one of the main reasons for its existence—is by ensuring that none of them can feel absolutely sure of keeping its franchise."

"Equally, the only effective way of ensuring that, is to make at least one change each time the contracts come up for renewal. Not to do so would be tantamount to saying that it believed all the present companies are discharging their duties with uniform excellence and there is no room for improvement."

"The authority must, therefore, be strongly tempted to sack at least one contractor, not only to keep the others on their toes but also to justify its own existence and its elaborate selection procedures."

There have been other, more cynical observers who have suggested that the introduction of a possible breakfast franchise and the manipulation of some of the present contract areas will be a ploy to prove that the IBA's part to prove that all its thought and consultation had not been for naught. If the IBA system in 1984 is little different from that of 1974, then why did we bother with Annan or the continuing wrangle and debate on the future of broadcasting in the middle-1970s and the ensuing report in 1977? The truth is, of course, that the brew needs a stir now and then, even if the ingredients are not necessarily changed.

Nonetheless the belief is that the IBA will be driven perhaps by reason, and perhaps by psychology, to make some change. Regardless of the strength of the contenders in any particular case, the whole of export opinion is now swinging very much against such changes affecting the big five—

Thames, LWT, ATV, Granada and Yorkshire. They are the pillars upon which the ITV system is now based and companies whose experience and strength are going to be needed if a Fourth Channel is to be set up in the midst of a recession.

Among the smaller companies TMD believes HTV, Anglia and Southern to be fairly safe. Its spotlight for danger falls elsewhere, among smaller companies of varying strength. "Without wishing to appear ghoulish, the most vulnerable

The belief is that the IBA will be driven to make some change

contracts would seem to be those of Scottish, Tyne-Tees and Westward, for each of which there are at least two well-found challengers."

There is one element of this debate which is often repeated but, nonetheless, is as worrying an aspect of the licence war as the fear of losing the contract—well almost—and so bears repetition. It is the fear of being forced into a marriage with one or more of the rivals. The IBA can make the award of a contract conditional upon changes in the financial or managerial make-up of any group, incumbent or not. The IBA makes the rules, and the biggest rule of all is that it will do what it sees to be best in the viewers' interests.

In each area much is going to depend on the skill of the various presentations but Southern Television must be grooming a little at the thought of having its make its gains against a larger gathering of rivals than most defending contract holders.

## Letters to the Editor

### Public sector pay

From Professor A. Clunies-Ross  
Sir, — Samuel Brittan's scheme (May 22) for determining public sector pay is either a pay policy or it is nothing. If the X which he adds to the standard proportional wage change (for labour shortages, overwhelming social cases or exceptionally strong union coercive power) is fixed by rules interpreted independently of the particular negotiators, it is a pay policy.

If the X is simply whatever value the employing department or enterprise can agree with the unions, then the whole scheme is a mere guiding light, setting a minimum percentage rise in money terms, indexing any settlements to the extent of 40 per cent, but otherwise leaving us where we are minus only the nonsense of comparability. Mr Brittan even offers prizes for exceptionally strong union coercive power. That unfortunately is the effect of having no pay policy. Without rules to which public sector employers are firmly committed pay-setting becomes a trial of strength. Yet, because any useful pay code must compromise between the need to take account of labour shortages and productivity bargains on the one hand and the need to pay some regard to customary relationships on the other, the rules must have a degree of complexity and an arbitral body to interpret them in cases of doubt.

For the Government to have rules but to keep them secret, as suggested in your leader of May 20 seems no good expedient in a matter which people consider, rightly or wrongly, to be concerned with justice. If there are two or three main considerations, it ought to be possible to formulate them in a way which can be publicly defended and which can be subject to criticism of pay policies is that they distort labour markets. This objection is partly met if they allow for some adjustment to labour shortages. But I believe that all experience of negotiation, in both public and private sectors, shows that it is out of the question to ignore customary relationships. That is inevitable whether rules are public and codified or not. I see no reason why better compromises or a better negotiating position should be achieved by rules which are vague or secret than by rules which are both clear and open.

### Hiawatha's timings

From Professor C. Hooley  
Sir, — After reading Mr. Ian Hargreaves' interesting article (May 21) on American railways and in particular his remarks on the Milwaukee Road, one may perhaps be excused for looking back on the days of one's childhood with some nostalgia. In the 1930s the passenger traffic between Chicago and the West (via named St. Anthony and St. Paul was handled by three competing railways—the Mil-

waukee, the Burlington, and the Chicago and North Western. Following the announcement in 1934 that the Burlington was introducing an accelerated service through a new fixed formation Twin Cities Zephyr diesel train, the Milwaukee investigated the possibility of a comparable timing being achieved by a larger train with steam haulage. The feasibility of this proposal was established by a probing run between Chicago and Milwaukee with a standard steam locomotive, a speed of 108.5 mph being achieved on this occasion.

As a consequence, the Milwaukee introduced its Hiawatha train with a specially designed streamlined Atlantic locomotive. This was probably the first steam locomotive that was intended to run at 100 mph or over as a matter of routine; in fact, speeds of up to 120 mph were subsequently recorded during normal passenger service. Needless to say, the Chicago and North Western also responded by introducing an accelerated service. Apparently, moreover, the post-war diesel services of the Milwaukee never matched the Hiawatha timings. These were stirring and exciting matters for us to read about. Is there anything comparable in this area today that generates similar excitement and interest?

### The age of the train

From Mr. P. Cobbett  
Sir, — Protagonists of both rail and air travel should note that the battle between the two is hotting up. The other morning my regular train (an HST) to Paddington, which runs parallel to the approach sometimes used by planes landing at Heathrow, visibly gained on, and finally overtook, an aircraft (admittedly turbo-prop) coming in to land.

### Smothered in car fumes

From Mr. N. Albery  
Sir, — While walking uphill the other day, smothered in car fumes, I noticed for the first time that about 90 per cent of cars—the honourable exceptions being mainly London taxis and some foreign cars—have exhausts fitted on the pavement side of the car, belching out fumes at pedestrians, rather than on the road side. Just as smokers have separate compartments on the tube, surely cars, at least in cities, should emit fumes towards other cars, rather than towards innocent pedestrians?

### Limitation on 'carry back'

From Mr. J. Clarke  
Sir, — I agree with Mr. Chubb (May 21) regarding the difficulties and injustices which will arise from the proposed changes to the retirement annuity relief legislation and it would be a welcomed amend-

ment to the Finance Bill if the only changes were the abolition of the ceiling and the increase in the percentage relief, thus preserving the "carry back".

Bearing in mind, however, that the Chancellor's objective is to reduce the Inland Revenue's administrative burden, if the problem really is caused through the "carry back" provisions (and that is arguable) then the Bill ought to allow excess premiums to be carried forward indefinitely and for unused relief to be carried forward without time limit, with the "carry back" provisions applying in exceptional circumstances such as the opening and closing years of assessment. This would allow the majority of assessments under the normal preceding year basis to be raised with reasonable certainty while preserving excess and unused reliefs for use in subsequent years and therefore overcoming the difficulties raised by the Finance Bill.

Now that stock appreciation relief must be deducted in arriving at "net relevant earnings" this will further aggravate the problem concerning the retirement annuity being treated partly as "unearned income." Insurance companies expect a constant flow of annual premiums and if taxpayers are to lose tax relief on premiums paid (thereby converting earned income into unearned income), one can envisage the vast records and staff required by insurance companies in order to calculate the "unearned income" element of the retirement annuity. It seems to me that while the Chancellor might reduce some Inland Revenue staff requirements he will considerably increase those of the insurance companies. Clearly time has come to discontinue the distinction between "earned" and "unearned" retirement annuities in these circumstances.

### Boiling the thermometer

From Mr. A. Horsnell  
Sir, — The dramatic rise in sterling recently, tells us that there is something amiss with our carefully prepared policies in the UK. The sterling rise does not seem to coincide with tight money markets, slow funding of the public-sector borrowing requirement, a surge in parts of private-sector loans and an inflation rate significantly higher than in other major currency markets. Money markets may remain tight in circumstances where new short-dated sterling deposits by overseas investors are siphoned off again into profitable arbitrage in "forward" foreign currency exchange positions. With UK imports and exports of well over £2bn a month, there is plenty of "arbitrage" to be had. The profitability and attractiveness of arbitrage comes about by the big differences in currency interest rates and the large spreads between "spot" and "forward" positions this creates. It is not a UK phenomenon, but a worldwide development since the start of floating exchange rates and the rise in Organisation of Petroleum Exporting Countries' money surpluses. Therefore, industrial and

### Shareholders rights

From Mr. M. Batley  
Sir, — May I add to Mr. W. Heymans' letter of May 15. I have attended many AGMs, spoken at all of them, commented on proposals and the accounts, drawn attention to any interesting ratios, e.g. an audit fee being 80 per cent of the shareholders' dividend, and only on the very rarest of occasions have shareholders been willing either to support or dissent. I have however met harsh criticism, after meetings for exercising shareholder rights.

There is of course usually someone who is willing to propose a highly flattering vote of thanks to the chairman. M. Batley, 5 Charlston Road West, Darneston, Stockport, Cheshire.

### Accounting for it

From Mr. D. O'Shea  
Sir, — Mr. Ekersley's ignorance of the full symbolism of the Institute of Chartered Accountants' coat of arms (May 20) may be dispelled by an official explanation. I prefer to regard the tableau, perhaps fancifully, as an allegory of the Rape of Truth by Spurious Accuracy. Daniel O'Shea, 99, Polerell Park, SW14

## Today's Events

- UK: Sir John Greenborough, CBI deputy president, addresses British Export Houses Association lunch, London.
- Sir Alex Jarratt, Advertising Association president, presents British Rate and Data advertising awards, London.
- Commonwealth Development Corporation annual report published.
- Society of Architecture debates "The design of popular housing would be better without architects." Royal Institution, W1.
- Prince Charles opens Mountbatten Wing of King Edward VIII Hospital, Midhurst, Sussex.
- Mr. Len Murray, TUC general secretary, gives Granada TV lecture on "The Democratic Bargain." Guildhall, London.
- Overseas: EEC Agriculture Ministers start two-day meeting, Brussels.
- EEC Economic and Social Committee two-day plenary session opens, Brussels.
- Iran's new Parliament meets for the first time, Tehran.
- Raymond Barre, French Prime Minister, last day of official visit to Norway.
- Chairman Hua of China visits Japan.
- Sir Peter Gadsden, Lord Mayor of London visits Atlanta, Georgia, U.S.
- OFFICIAL STATISTICS: Department of the Environment issues figures for bricks and cement production in April.
- COMPANY MEETINGS: Benmore Corporation, Abercorn Rooms, Bishopsgate, EC, 11.45.
- Corinthian, Clifton Ford Hotel, Welbeck Street, W, 11.15.
- Danish Bacon, Hyde Park Hotel, Knightsbridge, SW, 11. Dares
- Estates, Albany Hotel, Birmingham, 12.
- Elbar Industrial, 20 Aldermanbury, EC, 10.30.
- E. Fogarty, Havenside, Boston, Lines, 2.15.
- Hinge Investments, 17 Harborne Road, Birmingham, 2.30.
- John Menzies, 22 Hanover Street, Edinburgh, 12.15.
- Phoenix Assurance, 45 King William Street, EC, 12.
- Rio-Tinto Zinc, 16 Craven Street, WC, 11.
- Sun Alliance, 1 Bartholomew Lane, EC, 12.30.
- Sun Life Assurance, 107 Cheapside, EC, 12.30.
- Thomson T-Line Caravans, Park Hotel, Falkirk, 12.
- E. Upton, 175 Linthorpe Road, Middlesbrough, Cleveland, 7.30.
- Arthur Wood (Longport), Stoke-on-Trent, 12.

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## Kelsey leaps 79% midterm but cautious on outlook

FOR THE half-year to March 31, 1980, pre-tax profits of Kelsey Industries are up 79 per cent to £1.63m against £908,000 and the interim dividend is raised from 1.5p to 2.5p per 25p share.

However the directors warn that in view of the developing recession at home and abroad, they are finding it difficult to forecast results for the year. In 1979-80, the group produced pre-tax profits of £2.24m.

The increase in the interim this time should not be taken as an indication of a much larger distribution for the year but the board hopes to match last year's 4.5p final.

First half turnover amounted to £12.19m against £10.85m. After tax of £862,000 (£498,000) earnings per share are stated as 17.9p compared with 10.05p.

The increase in profit has been achieved by rationalisation, both in manufacturing and contracting, and the latter has also benefited from an exceptionally mild winter which has allowed more work to be carried out than usual during this period of the year, the directors say.

Multicore Solderers has formed a wholly-owned subsidiary in America—Multicore Solderers Inc.—and will shortly complete a new factory in Dallas, Texas, to supply the U.S. market where the group already enjoys substantial exports established over the past 30 years.

Kelsey's American distributors support the view that this development will enhance sales in their country.

The cost of the freehold purchase of the site, and the building and equipping of the factory, is being met from retained profits, but it is likely that start-up costs will affect profits in the second half of the year.

Activities of the group include the manufacture and sale of solder, soldering and audio accessories, sealants and mastic compounds and the business of industrial roofing and insulation contractors.

### comment

Slowed last year by losses from a U.S. subsidiary, Kelsey Industries is off to a very strong start this year with pre-tax profits up 79 per cent. The shares gained 4p to 127p yesterday but still the prospective fully taxed p/e, if second half results only match those of the first half, is only 3.5. The UK roofing contracting business is being slowed by the recession and the strength of sterling is hurting export sales of solder, sealants and audio accessories. A solder factory, due to begin production in the U.S. within three months, may remove some of the competitive pressure in that market. The mild winter boosted first half contracting results so the group's customarily stronger second half may not materialise. The prospective yield on the company's hope to match last year's final 4.5p net dividend, a reasonable 7.9 per cent, will be covered on an historic accounting basis.

### HIGHLIGHTS

A new runaway pound continues to stun the markets and Lex looks at the impact of foreigners on the gilt-edged market. With Sterling putting even more pressure on the profits of companies Lex examines the latest trends survey from the CBI and discusses the way in which pressures are building up. Two troubled groups, BPC and Grattan Warehouses, come in for comment and Rowe and Pitman has staged yet another "market raid." Lex discusses the way that this and other topics are covered in the Take-over Panel annual report.

## Major reorganisation benefits Chloride SA

CHLORIDE, the 70 per cent owned South African subsidiary of the UK parent, turned a major reorganisation of its operations into a solid profit advance in the year to March 31, 1980. Pre-tax profit rose 34.9 per cent from R3.4m to R4.6m, while turnover was 16.9 per cent ahead at R39.1m (compared with R33.4m).

On the production side installation of new lead furnaces and handling equipment contributed to significant operating cost savings.

Most of the company's turnover increase came from improved battery sales for use in fork lift trucks and mining equipment. Automobile battery sales declined, but are expected to improve as vehicle sales increase during the current year.

On the production side installation of new lead furnaces and handling equipment contributed to significant operating cost savings.

The directors expect the results of this programme to begin to materialise in the latter part of the current year. However, they consider it imprudent to forecast the outcome for 1980. Pre-tax profits fell sharply from £1.55m to £0.67m last year, One of the main reasons for the

## Oxley Print. aims for consolidation

The task of Oxley Printing Group in 1980 is to consolidate on the substantial investment of the last three years, rationalise facilities in some areas, and optimise efficiency of operation, says Mr. Peter Grabcock, chairman, in his annual statement.

The directors expect the results of this programme to begin to materialise in the latter part of the current year. However, they consider it imprudent to forecast the outcome for 1980. Pre-tax profits fell sharply from £1.55m to £0.67m last year, One of the main reasons for the

setback was difficulties at the web offset factory in Carlisle, where problems encountered in the design specification and commissioning of the new £1.2m press proved much more expensive than could have been expected.

The directors are pursuing claims against the manufacturer in these respects.

A significant amount of reorganisation and rationalisation is underway in the platemaking division, which ran into losses last year. The chairman says that although fairly substantial redundancy costs will not be fully covered by the consequent release of assets, a basis will be created for a more viable operation.

In the commercial printing division, a major reorganisation programme at the main factory in Nottingham will soon be completed at a cost of £1.5m.

The group had capital expenditure commitments of £3.16m (£0.51m) at the year-end.

## P. Panto £232,000 in the red

A PRE-TAX LOSS of £231,675 is reported for 1979 by P. Panto and Company, a wholesaler, confectioner, and toy distributor, compared with a £103,542 profit in 1978. Turnover increased from £25.28m to £27.22m.

Bank interest took £314,738 (£158,057), and there was a tax credit of £90,875 (£45,650 charge). The final dividend, like the interim, is omitted. The total in 1978 was 1.6p. Earnings per 10p share are given as nil (1.57p).

The directors say the losses are mainly attributable to the company's three branches—where urgent steps are being taken to rectify the situation—and to the downturn in the toy trade and the rise in interest rates.

Benefits from the corrective actions being taken are not expected to be clearly visible until 1981. At the interim stage, the company announced a loss of £58,510 (£32,563 profits).

THE ANNUAL report of Grattan Warehouses, the main order concern, reveals that the auditors, Arthur Young McClelland Moores and Co., have qualified the company's decision to change its accounting policy for VAT, which had the effect of increasing 1979-80 pre-tax profits by £1.97m.

The auditors say that in their opinion, the new policy is not appropriate because it is not in accordance with the accruals concept in SSAP 2. Mr. Michael Pickard, the chairman, tells members in his statement that the system adopted is one of the two used in the mail order industry since the Retailers Special Scheme was introduced and involves the payment of VAT on actual cash collected as against when the invoice is issued.

One of the other two independent publicly quoted mail order companies has accounted in this way since 1972.

As out auditors are the same as the auditors of that company, we reached agreement on our charges and then, eight days before we were due to release our results, we were informed that they had changed their minds

and intended to qualify our accounts," Mr. Pickard states.

"We are very unhappy about their decision and about the way in which their decision was made," he comments.

Pre-tax profits for the year ended January 31, 1980, tumbled from £11.23m to £4.35m, on sales, excluding VAT, up 22.5 per cent to £215.4m. On a current cost basis, taxable profits are adjusted to £4.05m (£10.94m). The directors have since made a number of board changes following a study of the company's organisation by Messrs. McKinsey and Co.

Sales increase in the current year is expected to be less than last time, although further extensions have been made to the company's catalogue and to the number of items available to agents and customers.

Sales for the first period of the new spring/summer catalogue were encouraging, but demand has eased during the last two months.

Mr. Pickard explains that rapid profit recovery is not anticipated, but he remains confident that the group will maintain its competitive position while modernisation programmes are completed. He anticipates that the special

annual revenue costs associated with these developments will continue to run at a similar level to last year—at around £1.25m.

While it would have been advantageous to secure additional long-term finance which would have speeded up the company's recovery programme, the chairman believes that members can look forward to an improvement in the medium term.

Since the end of its last financial year, the group has negotiated loan facilities of £40m, of which £15m is a syndicated five-year loan from three banks. Grattan's main trading banker, Barclays Bank, continued to extend the loan of £25m through their subsidiary merchant bank.

At January 31, 1980 group net current assets had increased from £43.15m to £37.15m, while shareholders' funds were up from £49.17m to £52.82m.

Year-end borrowings totalled £33.08m and the group's cash flow forecast for the balance of 1980 and the first half of 1981 indicate that its present facilities cover anticipated working capital and capital expenditure requirements.

Lex, Back Page



Mr. Michael Pickard, chairman of Grattan Warehouses, says a rapid profit recovery is not anticipated.

## Duport investment continues despite difficult conditions

ALTHOUGH current interest rates are a severe disincentive to investment, the board of Duport has decided that further outlay should continue on projects critical to improvements in efficiency, Mr. E. Sayers, the chairman, says in his annual report.

Further investments have been made this year on the supporting services to the group's steel plant and these projects are nearing completion.

A programme has also been started for improving the efficiency of the re-rolling mills in the Midlands and this project, which offers worthwhile savings, should be finished by the end of 1980, the chairman says.

Plant in the engineering companies is being upgraded and the Anslow subsidiary is buying new plant to compete in new areas of forging activity.

Following the reorganisation of the bedding and furniture interests and with the development of an improved and realistically priced range of products, Slumberland is now poised to make an improved contribution to group results given reasonable market conditions, the chairman says.

The group's penetration of export markets has been particularly encouraging and exports increased in 1979-80 to £22.49m, despite the strength of sterling.

The steel division increased exports by 73 per cent from £11m to £19m although margins were depressed in intense competition.

For the year ended January 31, 1980, the group reported pre-tax profits up from £5.8m to £5.58m despite a second-half downturn from £2.56m to £2.42m. CCA profit is reduced to £2.58m after adjustments for additional depreciation, £3.55m, cost of sales, £1.05m, monetary working capital, £232,000 and £718,000 savings.

The chairman repeats his warning that the effects of the steel strike will be a severe depressant on 1980-81 profits.

Mr. J. Winstanley joined the Duport board on April 1 this year and will become group managing director on July 7. Mr. J. H. Russell becomes deputy chairman and will be assisted by Mr. J. M. Paterson and Mr. F. R. Loader.

Meeting, Birmingham, June 17 at 12.30 pm.

## Dealings start in new unit trust

Dealings started yesterday in the new Allied Hambro Government Securities Fund, whose aim is to provide investors with the highest reasonable yield commensurate with stability. The trust has been launched to take advantage of the Finance Bill's provision that income from bills received by an authorised unit trust is to be taxed at the basic rate of 30 per cent, instead of the higher corporation tax rate of 52 per cent as previously. This is expected to become law later in the summer.

Income accruing to the fund will therefore be taxed at corporation tax rates initially but as soon as the Bill becomes law, Allied Hambro will move to pass a supplemental trust deed, thereby ensuring corporation tax exemption.

At the initial offer price of 25p per unit, the estimated gross starting yield will be 9.0 per cent, rising to 13.2 per cent on obtaining exemption.

Allied Hambro is waiving the one per cent initial charge if applications for units are accompanied by payment. The dealing spread in this case will be 1.75 per cent.

At the initial offer price of 25p per unit, the estimated gross starting yield will be 9.0 per cent, rising to 13.2 per cent on obtaining exemption.

Allied Hambro is waiving the one per cent initial charge if applications for units are accompanied by payment. The dealing spread in this case will be 1.75 per cent.

## Allied Plant confident of further growth

Striking an optimistic keynote in his annual statement, Mr. Michael Heathcote, chairman, says the directors are confident of maintaining the rising trend in earnings and assets per share during the current year at Allied Plant Group, which doubled in size during 1979.

Members are told that the Board is looking at interesting opportunities, both in areas allied to existing operations and for diversification.

SPAIN	Price	%	+ or -
May 27			
Banco Bilbao	208		
Banco Central	232	+5	
Banco Exterior	210		
Banco Hispano	236		
Banco Ind. Com.	122		
Banco Madrid	141		
Banco Santander	247		
Banco Urquijo	190	+4	
Banco Vazquez	117		
Banco Zaragoza	200		
Dragados	85	+4	
Espanola Zinc	59		
Ferrocarril	81.2	+1.0	
Gal. Preciados	25	+1	
Hidroala	66.2	+0.7	
Iberduero	62	+0.5	
Petrolcan	111		
Petroliar	59	-1	
Sogefas	107		
Telefonica	54		
Union Elect.	57.5	+1.8	

**CITY OF LEEDS**  
Floating Rate Stock 1982  
for the six months from 28th May, 1980 to 28th November, 1980  
The interest rate on the above stock will be 17 1/2% per annum.  
M. C. SIMON, Director of Finance

## North British Steel shows half-time upturn

Pre-tax profits of North British Steel Group (Holdings) rose in the 28 weeks to April 12, 1980, from £14,000 to £105,000, on sales ahead by £82,000 at £6.03m. For the whole of last year profits before tax fell from just over £1m to £7,000.

Shareholders receive an unchanged interim dividend of 0.66p net, last year's final was 1.36p.

There was again no tax charge for the half-year. Earnings per 25p share were up from 0.3p to 2p.

## R2.6m profits upsurge by GIC

Gaining significantly from increased capital spending, particularly in the last four months of the year, Goldfields Industrial Corporation, the 54.6 per cent owned South African subsidiary of B. Elliot, improved pre-tax profits sharply from R1.91m to R4.48m in the

12 months to March 31, 1980. While turnover for the period showed a 47.3 per cent increase at R35.4m, earnings per share gained 38 cents to 79 cents and the total dividend is lifted from 10 to 17 cents.

Order books for the company's machine tools and general engineering equipment are substantially higher than a year ago, and the directors are confident that the current year will see a further improvement in results.

Until the latter part of last year, South African industrialists had largely delayed purchases of new capital equipment, preferring to let higher demand be satisfied by increasing throughput on previously underutilised plant. The state of affairs is fast ending, with all indications of a solid capital spending boom for the economy over the next two years.

Last year GIC spent R1m on new plant and equipment, and "major further expansion of the group's manufacturing activities is planned." This will be largely funded from internal sources, the directors state.

## James Scott recovery

Following the first-half loss of £75,000, compared with profit of £55,000, James Scott Engineering Group returned to profitability in the second six months of 1979 to finish with a pre-tax surplus of £263,000, against £536,000 previously. Turnover of this William Press and Son subsidiary fell from £49m to £42m for the year.

The result included losses of £971,000 (£865,000) from James Scott (Electrical Transmission), but the directors say there are indications that these losses,

which were substantially less in the second half, continue to show a reduction.

Dividends have been paid on the first preference shares to January 31, 1978, and on the second preference shares to January 31, 1975. But in view of the continuing deficiency on revenue reserves, there are no further payments.

There was a tax credit for the year of £208,000, compared with a £452,000 charge. Extraordinary debits last time were £888,000.

## DIVIDENDS ANNOUNCED

	Current payment	Date	Corre. Total of spending for year	Total 1980
Bertrams	int. nil	—	1	1
Kelsey Industries	int. 2.5	July 11	1.5	6
N. British Steel	int. 0.66	July 1	0.66	0.66
Moran Tea	int. 5	July 17	5	10
W. Pickles	int. nil	—	0.2	0.2
Scot. Natl. Trust	int. 1.95	June 20	1.6	4.6

Dividends shown pence per share net except where otherwise stated. \*Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. ‡Final at least maintained at 3.05p forecast.

## Harris Queensway well placed

The chairman of Harris Queensway Group, retailer of carpets, furniture and DIY goods, said at the AGM that "although trading in the early weeks of the year was satisfactory, trading conditions during the last few weeks have been less buoyant." He added, however, that the group was well placed to take advantage of any increase in consumer spending. Pre-tax profits reached £8.82m in 1979.

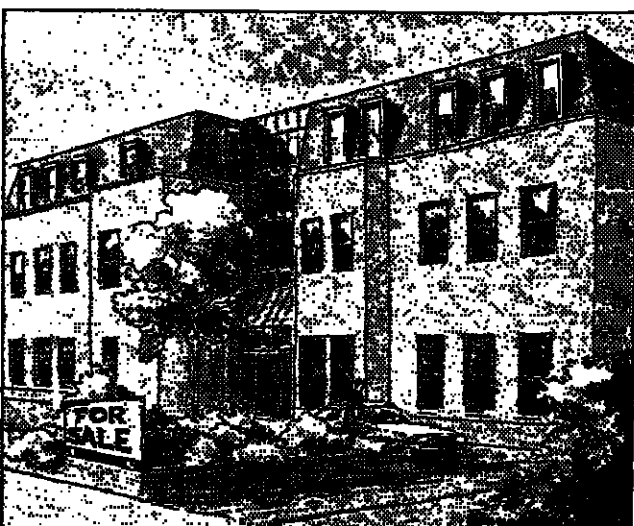
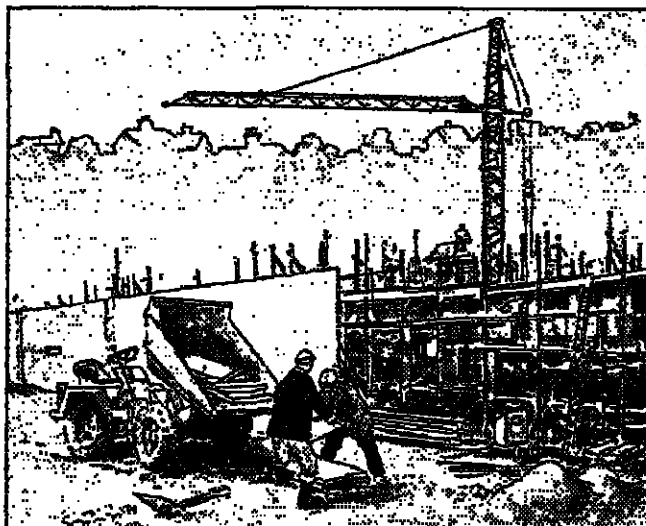
## Hudson Bay Mining and Smelting Co., Limited



E. Peter Gush, president and chief executive officer of Hudson Bay Mining and Smelting Co., Limited, of Toronto, was appointed chairman at a meeting of the Board following the annual meeting on April 30 in Toronto. He will continue to be president and chief executive officer.

Two new directors were appointed at the Board meeting: Vernon Van Sant, Jr., and J. Neil Clarke. Mr. Van Sant is chairman and chief executive officer of Hudson Bay Mining's petroleum subsidiary, Francana Oil & Gas Ltd., of Calgary; Mr. Clarke is managing director and chief executive officer of Charter Consolidated Limited, of London.

## If you get it right it's like discovering a gold mine



It's a very simple story. Buy some land, develop it and then either lease or sell it for a large profit.

It's also easier said than done, as can be seen by the number of commercial property developers who have fallen into pits of their own digging. It takes a good deal of experience, skill and financial acumen, strengths the Crouch Group has worked hard to build up.

For over 50 years, we've been known as a residential developer and builder. We've built thousands of homes in the south and west of England, over 8,000 of them in Crawley alone.

18 months ago, however, we decided to extend the Group's business into the commercial and industrial field as well and that is where the emphasis of the Group

is rapidly moving, because this represents major growth areas, both here and abroad.

Since taking that decision, we've bought and refurbished office blocks in London and New York and undertaken factory and office developments in this country. They're building into a sound portfolio of property investments that are rising in value and establishing good rent rolls.

If you would like to know more about why we view our future with such confidence, write for a copy of our corporate brochure and latest Report and Accounts to The Secretary, Crouch Group Limited, Sutherland House, Surbiton Crescent, Kingston-upon-Thames, Surrey KT1 2JU. Tel: 01-546 2131.

Crouch Group Limited



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# MIDLAND INDUSTRIES

## Difficult Trading Conditions

	15 month period ended 31st Dec 1979	12 month period ended 30th Sept 1978
Turnover	28,940	20,843
Profit before tax	2,503	2,114
Earnings per share (annualised for 1979)	14.73p	15.99p
Dividends per share	3p	1.16p

"Trading conditions caused major problems to the company, due to the overriding results of national strikes in both the transport and engineering industries which affected our customers and suppliers in a very serious way and resulted in considerably increased operating costs to the company."

Whilst conditions continue to be difficult nationally the main activities of the company are trading satisfactorily.

The company will continue its policy of rationalisation, and expansion will be sought either through new markets in the company's current trading activities or by acquisition if the opportunity arises."

E. C. Merland, Chairman

IRONFOUNDERS AND AGRICULTURAL ENGINEERS  
Health Town Works, Wolverhampton, WV10 0DD



## The International Commercial Bank of China

U.S. \$20,000,000 Floating Rate  
Notes 1978-1983

For the six months  
May 27th 1980 to November 28th 1980  
the Notes will carry an  
interest rate of 10 1/4% per annum.

Bankers Trust Company, London.  
Fiscal Agent

## Companies and Markets

## UK COMPANY NEWS

### MINING NEWS

## Inco rules out major nickel expansion

BY PAUL CHEESERIGHT

INCO, the Canadian group which leads the international nickel industry, is to embark on a programme of diversification and is particularly interested in minerals which are not in the same business cycle as nickel.

This has been made clear by Mr. Charles Baird, the recently appointed chairman. In Toronto he said, "Our basic commitment remains to the metals business, but over time we are going to diversify somewhat, mainly through acquisitions and internal developments."

The policy of diversification reflects Inco's concern to see that the slump in corporate fortunes which occurred when it was caught with too much nickel on a sliding market in 1977-78 should not take place again.

"Our strategy is clear. With a market share at about 35 per cent of world nickel capacity, we do not see the need to involve Inco in another big new nickel project," said Mr. Donald Phillips, the group president.

This caution was expressed against the background of uncertainty about future prospects. Inco is expecting a good second quarter and expects to have no trouble in equalling at least the 1979 figure for total annual profits.

"Beyond the second quarter, things start to get murky," Mr. Baird noted. "For Inco, the impact of price changes falls on the bottom line since our costs are fairly constant."

Further, Mr. Baird seemed prepared to query the commonly held mining industry view that prospects in the medium term are excellent.

Although Inco has predicted an annual growth rate for the international nickel industry of 4 per cent, Mr. Baird raised questions of energy availability and the rate at which world economies are likely to grow as

reasons for his difficulty in predicting what is going to happen. But nickel remains Inco's primary interest and about half its doubled exploration budget for 1980 will be spent on proving extra ores at Sudbury in Ontario and Thompson in Manitoba.

The remaining half of the budget—some C\$15m (£4.78m)—will be spent on looking for other metals. "Uranium is a good example, but we also have early-stage exploration projects in tungsten, chromium, gold and silver," Mr. Phillips said.

The group is facing considerable stress on its joint uranium venture with Canadian Occidental Petroleum at Wollaston Lake in northern Saskatchewan. Both partners plan to spend C\$2m this summer on their drilling programme.

Values found so far are practicable for commercial mining and the limits of the deposit, which is near commercial operations of other groups, have not yet been established.

### UM MAINTAINS DIVIDEND

Belgium's largest metals concern Union Minière expects income from dividends this year to be at least comparable with the 1979 figure, according to M. Paul Emile Corbiaux, the chairman. The company's profits rose by 36 per cent in 1979 to Bfr 719.8m (£10.8m), and the dividend was lifted by 25 per cent to Bfr 500 a share.

Mr. Corbiaux said that rising prices have boosted the value of the company's metal stocks by some Bfr 350m. Union Minière has stepped up the development of the Thiery copper mine in Canada in an effort to increase output by 25 per cent to 100,000 tonnes of ore per month by early 1981. If

exploration efforts for deep deposits pay off, the new discoveries could prolong the mine's life by up to 15 years, M. Corbiaux said.

### Rio Algom wins contract in South Korea

RIO ALGOM, the Canadian uranium producer in the Rio Tinto-Zinc group is to sell 4.2m lbs of uranium oxide to Korea Electric, the state-owned utility between 1981 and 1990. The agreement is subject to Canadian Government approval.

The agreement takes Rio Algom a stage further down the road to the replacement of orders lost when, last year, Tennessee Valley Authority renounced a contract for 17m lbs.

Orders gained since then come to 7.5m lbs, leaving Rio Algom with another 9.5m lbs to sell in a market which has become very sluggish.

The uranium under contract to Korea Electric will be converted to natural uranium hexafluoride or natural uranium dioxide by Eldorado Nuclear, the Canadian state-owned uranium mining and processing group.

### ROUND-UP

CSR has increased its holding in AAR to 97.5 per cent following the finalisation of a transfer of assets between AAR, IOL Petroleum and CSR. The acquisition by CSR of AAR's outstanding 2.5 per cent will be considered by the remaining AAR shareholders at a meeting to be held in Brisbane on June 13.

## Oil industry likely to aid mining

OIL COMPANIES are likely to play an increasingly significant part in the development of the mining industry over the next decade, according to Dr. Jack Birks, a director of BP. He told a conference which began in London yesterday on the National and International Management of Mineral Resources that the oil industry is in a position "to provide the strong capital base that is now required by the minerals industry."

Dr. Birks, who was delivering the fifteenth Sir Julius Wernher memorial lecture of the Institution of Mining and Metallurgy, said that "the investment short-fall in mineral development during the past five years, because of huge inflation in costs, instability in currency markets, low returns on existing investment, consequent lack of finance and hence general lack of financial incentive may well lead to supply shortages later in this decade."

Help from the oil companies for the mining industry in this context is both appropriate and timely, he said. The oil industry has the size and financial strength to enable it to take a long view, and is now looking to diversify away from the risks it faces as energy projects become larger. The similarity in scale, the need for huge amounts of capital and the international nature of the minerals industry makes it relevant for oil companies," Dr. Birks said.

After identifying a number of general similarities between the two industries—notably that they both operate within the same political and economic environment, and make use of broadly similar technologies—Dr. Birks pointed to one way in which closer cooperation is already developing. This concerns the energy sector.

One of the major fuel sources that he expects to be developed on a large scale is coal, along with tar sands and oil shales. He believes that both industries have an essential contribution to make to the development of these resources.

### Japanese stake in Philippines copper smelter

THREE foreign groups have been invited to take an equity stake in the Philippines' first copper smelter. The groups concerned are a consortium comprising the Japanese companies Mitsui and Mitsubishi, another Japanese consortium of Marubeni, C. Itoh and Sumitomo, and Billiton International Metals of Holland.

Mr. Constante Ventura, president of Philippine Associated Smelter and Refining, said that foreign participation will be limited to 32 per cent of the operation's \$100m capital. The \$350m smelter, which is to be built on a turnkey basis by the Marubeni consortium, is scheduled to be in operation by 1983.

### Greenvale plan to reduce fuel costs

AUSTRALIA'S Greenvale nickel and cobalt joint ventures have decided to go ahead with a A\$45m (£22m) project to cut fuel costs at their treatment plant in Queensland. The partners, Metals Exploration and Freeport Minerals of the U.S., plan to reduce oil consumption by the installation of a new coal-fired boiler and the conversion of ore dryers to coal firing.

As a result of the project, fuel oil consumption is expected to be reduced by some 45 per cent from the current level of 335,000 tonnes per year. The partners envisage a substantial saving in operating costs, which should increase the competitiveness of Greenvale as a nickel and cobalt producer.

The conversion of the ore dryers is estimated to take 18 months, with the installation of the coal-fired boiler taking some eight months longer. Babcock Australia has obtained the contract for the construction works and Collinsville Coal is contracted to supply coal.

Yesterday's announcement follows news earlier this year that the Queensland Cabinet had approved plans to finance the project from internal sources. Greenvale returned a profit for the first half of the current financial year to June after several years of loss-making.

## Orion sees better underwriting result

THE INCREASING number of incidents in which fraud on an international scale is suspected has given the insurance market cause for concern, stated Sir Antony Part in his chairman's statement accompanying the 1979 report and accounts of The Orion Insurance Company, a member of the Nationale-Nederlanden N.V. Group.

He pointed out that the complexities of international law and the difficulties of ensuring efficient on-the-spot investigation in certain areas created an atmosphere in which criminals could operate with some freedom. Despite trading conditions in the insurance market would continue to be exacerbated by the problems of combating organised crime, often on a large scale.

Pre-tax profits last year improved 17 per cent from £4.05m to £4.75m, despite a rise in the underwriting loss of the Home Fire Accident and Motor account from £1.65m to £1.98m. Investment income showed a 20 per cent rise from £5.07m to £6.08m. Profit after tax rose by more than 50 per cent from £946,000 to £1,438m.

Sir Antony referred to the long severe winter in 1979 which caused an unusually large number of claims in both the motor and householders' comprehensive accounts. On top of this, the substantial rise in VAT and other inflationary pressures contributed to the disappointing underwriting results. He was more optimistic for the current year, trends so far were more encouraging and he looked for a steadily improving performance in this account.

The chairman also referred to

the dramatic increase in the number of supertankers and other large vessels lost in 1979 and to the high number of airliners lost, which at 19 was equal to the average of the previous three years. He pointed out that with losses on this scale, there was little prospect for underwriting profits for 1979 accounts.

### Waverley Cameron qualified

The computerisation of sales ledgers has caused problems for Waverley Cameron, and led to the qualification of the 1979 accounts.

Mr. Waverley B. Cameron, chairman, describes the results of putting sales records on a computer as "very disappointing" but says that steps have been taken to rectify the situation.

It is the opinion of the auditors that the company has not maintained a controlled system of accounting for debtors since May 1, 1979, the date of the computerisation. As a result the company has been unable to provide a listing of individual debtor balances to support the total sales ledger debtors of £567,577, included in the 1979 balance sheet. For the year under review taxable profits moved ahead from £288,756 to £378,416 and the chairman says he is confident of maintained progress in the current year.

### BASE LENDING RATES

ABN Bank	17	Handelsbank	17
Allied Irish Bank	17	ICI Samuel	17
American Express Bk	17	C. Hoare & Co.	17
Amro Bank	17	Hongkong & Shanghai	17
Henry Ansbacher	17	Industrial Bk of Scot	17
A P Bank Ltd.	17	Keyser Ullmann	17
Arbutnot Latham	17	Knowlsey & Co. Ltd.	17
Associates Cap. Corp.	17	Langris Trust Ltd.	17
Banco de Bilbao	17	Lloyds Bank	17
Bank of Credit & Com.	17	Edward Manson & Co.	17
Bank of Cyprus	17	Midland Bank	17
Bank of N.S.W.	17	Samuel Montagu	17
Banque Belge Ltd.	17	Morgan Grenfell	17
Banque du Rhone et de	17	National Westminster	17
la Tamise S.A.	17	Norwich General Trust	17
Barclays Bank	17	P. S. Refson & Co.	17
Banque Paribas	17	Rosenminster	17
Bk of Montreal	17	Ryl. Bk Canada (Ldn.)	17
Brown Shipley	17	Schlesinger Limited	17
Canada Perm'l Trust	17	E. S. Schwab	17
Cayzer Ltd.	17	Security Trust Co. Ltd.	17
Cedar Holdings	17	Standard Chartered	17
Charterhouse Japhet	17	Trade Dev. Bank	17
Chouhroun	17	Trustee Savings Bank	17
C. E. Coates	17	Twentieth Century Bk	17
Consolidated Credits	17	United Bank of Kuwait	17
Co-operative Bank	17	Whiteway Ltd.	17
Corinthian Secs.	17	Williams & Glyn's	17
The Cyprus Popular Bk	17	Witnstrat Secs. Ltd.	17
Duncan Lawrie	17	Yorkshire Bank	17
Eagle Trust	17		
E. T. Trust Limited	17		
First Nat. Fin. Corp.	17		
First Nat. Secs. Ltd.	17		
Robert Fraser	17		
Antony Gibbs	17		
Greyhound Guaranty	17		
Grindlays Bank	17		
Guinness Mahon	17		

### EUROPEAN OPTIONS EXCHANGE

Series	Vol.	July	Last	Vol.	Oct.	Last	Vol.	Jan.	Last	Stock
ABN C	F.200	80	2.50	2	9.50					F.250
AKZ C	F.22.50	54	0.70	48	1.50	10	2.50			F.24
AKZ C	F.27.50	10	0.20	64	0.80					
AKZ P	F.22.50			5	0.40					
AKZ	F.22.50			25	1.80					
ARB C	F.65			14	2.50					F.65.70
ARB C	F.70	4	0.60							
HEI C	F.65			7	3.70					F.65
HO C	F.17.50	36	0.80	2	1.80					F.17.40
HO C	F.17.50			2	0.60					
IBM C	950									950
IBM C	950	22	7							
KLM C	F.60	15	2.70							F.60
KLM C	F.60	113	0.40	50	1.90					F.60
KLM P	F.60	28	1.50	10	3.50					
KLM	F.60	80	3.70							
KLM P	F.60	22	14.30							
NN C	F.110	86	10.50	26	11					F.111
NN C	F.110	108	5.50	2	8.80					
NN C	F.120	89	2.70	7	4.50					
PET C	F.6500	1	80	5	300					F.6510
PHI C	F.16			5	3.20					F.16
PHI C	F.17.50	13	0.30	54	1.50	16	1.70			
PHI C	F.17.50	15	0.20	55	0.60					
PHI P	F.20	50	2.30							F.20
PRD C	525			2	3					525
RD C	F.150	45	11.50	185	11.80					F.150.90
RD C	F.170	58	2.10	28	2.80					
RD C	F.180	15	2.10							
RD P	F.180									
T C	855			10	2					857
UNI C	F.120			20	2.50					F.120.80
XRX C	850									851
XRX C	850									
SA C	435									44,294
SA C	440									
MNW C	DM.110									DM.110
MNW C	DM.120									
MNW C	DM.130									
OKY C	250									255
SLE C	5110									5111
SLE C	5120									
TOTAL VOLUME IN CONTRACTS										1374

## I. & J. HYMAN LIMITED 1979 RESULTS A NEW RECORD

	1978	1979	
Turnover	£14,742,000	£22,816,000	+54.8%
Pre-tax profit	£1,535,000	£1,835,000	+19.5%
Earnings per share	4.25p	4.87p	+14.6%

Highlights from the Statement by the Chairman, Mr. Peter Buckley:

- Dividend up 26.1% and still covered 3.9 times by earnings
- New U.S. partner provides the opportunity to utilise our joint expertise on a worldwide basis
- Active pursuit of new product and process introductions in the U.K.
- Investment and expansion is envisaged from a sound base

I. & J. Hyman Limited, Metropolitan House, Hobson Street, Oldham OL1 1UR.

# World Currencies.

## Why the IMM has expanded its foreign exchange markets.

One of the most successful innovations in the world of international exchange is our group of foreign currency futures contracts: British pounds, Canadian dollars, Swiss francs, Deutsche marks, Japanese yen, Mexican pesos, French francs and Dutch guilders. Almost one million contracts were traded in the first quarter of this year alone. That translates into daily volume that frequently approaches a billion dollars.

Now we have greatly increased the scope and flexibility of the IMM's foreign exchange markets with several important changes. Foremost among these is doubling the number of contract months

from four to eight per year. This will serve to expand the opportunities for banks, corporations and other traders engaged in hedging, arbitrage and spreading. The expanded schedule offers regular contracts for January, March, April, June, July, September, October and December.

In addition to the schedule of regular contracts, the four remaining months of February, May, August and November will be inserted in the "spot" month rotation, making it possible to trade in a current month throughout the year.

A spot month trades without daily price limits so it can constantly stay in line with world interbank prices, signifying the increasingly close relationship that exists between the IMM and the global foreign exchange market.

The business of the IMM is to respond to the needs of corporations, banks and individuals who use it. The transfer of foreign exchange risk to the IMM's futures markets has become an important aspect of doing business.

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INTERNATIONAL MONETARY MARKET

Division of Chicago Mercantile Exchange

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مركز من المال



Financial Times Wednesday May 26 1980



## Hunt & Moscrop Group

Manufacturers of Heat Exchangers, Efficient Treatment Plant, Process Plant, Paper Machinery, Textile Machinery and General Purpose Machinery.

Mr. EW Hunt, Chairman, says: Results for half-year to December seriously affected by national engineering strike.

Turnover at £10.13 million marginally down on corresponding period, but pre-tax profit reduced to £208,000 by accelerating inflation and high cost of borrowings.

As a consequence of the continuing difficult trading conditions, the Group is carrying out a rationalisation of all manufacturing facilities, together with a thorough cost-cutting exercise. Manufacturing to cease at Miles Planting works (Hunt-West) but products from that company, together with respective sales and engineering teams, being moved to other Group subsidiaries.

The company will start 1980/81 with considerably reduced overheads and operating expenses while maintaining production of the existing lines of equipment.

Interim dividend 0.3575p per share, similar to that paid last year. Subject to any unforeseen circumstances, the Directors intend to recommend the maintenance of the final dividend.

Hunt & Moscrop (Middle East) Ltd, PO Box 36, Apex Works, Middleton, Manchester M24 1QS.

This Advertisement is issued in compliance with the requirements of the Council of The Stock Exchange.

## D. M. LANCASTER LIMITED

(Incorporated under the Companies Act 1948. Registered in England No. 536211)

### SHARE CAPITAL

Authorized £750,000 Issued and to be issued fully paid £492,000

Divided into 15,000,000 Ordinary Shares of 5p each

Application has been made to the Council of The Stock Exchange for the issued share capital to be admitted to the Official List.

Particulars relating to the Company are available in the Exel Statistical Service and copies of the Statistical Card containing such particulars may be obtained during normal business hours on any weekday (Saturdays and public holidays excepted) up to and including 12th June 1980, from:

Rowe Redd & Co.

63 London Wall, London, EC2M 5QQ

## WATTS BLAKE BEARNE & COMPANY LIMITED—NEWTON ABBOT

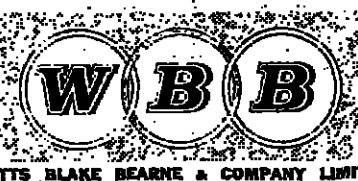
Mr. C. D. Pike, Chairman, reports:

### Continued profit improvement

Other points from the Annual Report:

- \* Pretax profit up from £3,015,718 to £3,508,394.
- \* Dividend increased by 15%.
- \* Scrip Issue of one Ordinary Share for every four held.
- \* Home sales of ball clay in the main remained constant; export sales increased by just over 10%.
- \* 1980 has started well although we expect a modest deterioration in trade throughout the world, with little hope of a positive revival before 1982. We shall use any slack period ahead of us to good account and do our best to maintain our profit growth record.

Annual General Meeting: 6th June 1980



WATTS BLAKE BEARNE & COMPANY LIMITED

### PRODUCERS OF BALL AND CHINA CLAYS

## M. J. H. Nightingale & Co. Limited

27/28 Lovat Lane London EC3R 8EB Telephone: 01-621 1212

1979-80	High	Low	Company	Price	Change	Div (p)	Yield %	P/E
88	60	40	Airpump	63	-1	6.7	10.8	3.71
90	26	18	Armstrong and Rhodes	34	-1	3.8	11.2	2.21
278	185	140	Bardon Hill	276	+1	13.8	5.0	8.31
100	78	60	County Cars	78	-1	10.3	10.8	7.8
101	63	40	Deborah Ltd	93	-1	5.0	5.4	10.2
125	88	60	Frank Horsell	93	-2	7.9	8.4	7.8
129	88	60	Friedrich Parker	93	-2	12.8	13.1	4.61
166	102	80	Gordon Blair	105	-1	16.5	15.7	4.61
73	45	30	Jackson Group	73	-1	5.2	7.1	4.31
153	105	80	James Burroughs	105	-1	7.2	6.9	8.2
200	242	180	Robert Jenkins	291	+2	31.2	10.5	8.81
232	176	140	Torrey	176	-1	0.8	6.5	2.91
34	11	7	Twinnick Ltd	72	-1	12.0	16.7	10.2
80	70	50	Twinnick 12% US	45	-1	1.2	5.4	10.2
56	23	15	Unilock Holdings	45	-1	1.2	5.4	10.2
60	45	30	Unilock Holdings New	83	+2	4.4	4.7	6.2
98	42	30	Walter Alexander	210	+2	12.7	11.8	3.4
210	136	100	W. S. Vestals	225	-1	14.3	6.4	5.9

† Accounts prepared under provisions of SSAP 15.

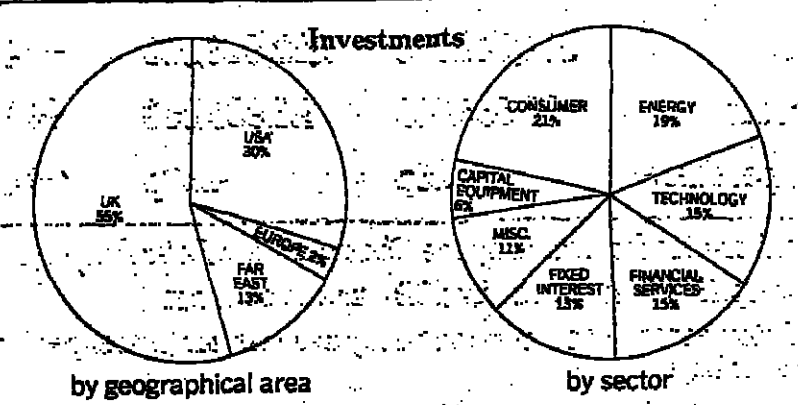
## THE SCOTTISH INVESTMENT TRUST COMPANY LIMITED

Interim Report for the six months to 30 April 1980 (unaudited)

	30 April 1980	31 October 1979
TOTAL ASSETS	£134 m	£128.0 m
NET ASSETS per unit	182.0p	128.2p

	1980	1979
6 months to 30 April		
GROSS INCOME	£3.80 m	£2.83 m
EARNINGS per ordinary unit	2.22 p	1.68 p
INTERIM DIVIDEND per ordinary unit	1.70 p	1.25 p

Subject to unforeseen circumstances, the board expects to recommend a total dividend for the year of 4.30p, an increase on last year of 24% excluding, and 10% including, last year's backlog dividends.



Registered Office: 6 Albyn Place, Edinburgh EH2 4NL

## Companies and Markets

### CSI AND TAKEOVER PANEL

# Shareholders rights the next issue

BY CHRISTINE MOIR

THE THORNY question of shareholders' rights is the next subject to be studied by the Council for the Securities Industry, Mr. Patrick Neill, the chairman announced yesterday when he presented the annual reports of the CSI and the Takeover Panel.

The terms of reference of the study have yet to be finalised but one major issue will almost certainly be non-voting and restricted shares.

Pressure for the study has come from the National Association of Pension Funds which has recently expressed strong opposition to companies which issue different classes of shares.

The new study could result in the fourth major report from the CSI which has now completed its second year. Yesterday Mr. Neill referred to the council's report on the Department of Trade's method of carrying out company investigations and the two codes of practice deliberated last year.

The new Code of Conduct for Dealers in Securities was published yesterday. It differs little from the widely circulated draft code, except that licensed dealers will now be permitted to deal in shares suspended on the Stock Exchange "short of making a market" in them.

The code also tightens the rules on conduct of interest by reminding dealers that where conflicts between their own and clients' interests arise they may have to refuse to deal.

The second draft code published last year, covering the responsibilities of issuing houses and brokers sponsoring new issues, however, has been abandoned.

The draft was met by considerable criticism particularly on the grounds of being too detailed, Mr. Neill admitted.

Now a statement of a sponsor's general responsibility is to be added to the introduction of the Stock Exchange's "Yellow Book" of rules governing listed companies.

"Experience will show whether it is desirable to amplify the statement in the



Lord Shawcross makes his final report as founder-chairman of the Takeover Panel.

future," Mr. Neill said, adding later that he thought there would be a number of accretions to it by way of practice notes.

Lord Shawcross's final report as chairman of the Takeover Panel—he is to be succeeded by Sir Jasper Holman, former deputy governor of the Bank of England—also raises a number of important issues.

One immediate concern is the consequence of the abolition of exchange controls on the control of overseas bidders. Under the

old system, Lord Shawcross pointed out, the Bank of England could refuse permission for foreign interests to buy more than 10 per cent of a UK company. That potential sanction has now been removed.

A related problem arises from the need to redefine a local company. The Panel suggests that the new definition proceed by excluding non-resident companies. Non-resident companies are those "incorporated outside the United Kingdom" or where

the "head office and place of central management and control are situated outside the United Kingdom."

Irish companies listed on the Stock Exchange would continue to be classed as local companies. Much of Lord Shawcross's report was devoted to problems arising from the build up of foreign interests in local companies, such as Consolidated Gold Fields and St. Piran.

Under the Companies Acts, owners of 5 per cent of a company's shares are required to disclose their interest. However, Lord Shawcross pointed out, the disclosure rules do not cover parties acting in concert which together have more than 5 per cent.

He called upon the Department of Trade to amend the forthcoming company legislation to cover such cases. He also demanded measures to ensure that companies are not for long kept in ignorance of significant changes in the ownership of their shares by "transferees" deliberately delaying registration.

Another aspect of the Companies Acts which Lord Shawcross said, involved the details of disclosure. At present shareholders simply have to disclose the name of the interest holding the shares. "The answer may be true but totally unbeneficial," he pointed out. True beneficial ownership may lie several stages behind the named company.

United Kingdom companies might do well to include in their articles of association express powers to disenfranchise from voting rights any shares held by intermediaries or others where the ultimate ownership was concealed or where the Panel has found there to be breaches of the Code in relation to disclosure of control.

The accounts of the CSI reveal an overall deficiency of £48,000 for the year to the end of March. The budget for the current year projects a surplus of £10,000.

However this could vary considerably and the Council warns that it may have to raise the levy from its current level of 60p per transaction.

## INSURANCE

# Regulations planned to fight hazards of polyurethane foam

BY OUR INSURANCE CORRESPONDENT

LAST WEEK polyurethane foam figured twice in Ministerial pronouncements to the Commons: on Tuesday, when Mr. Whitelaw, Home Secretary, forecast new regulations to control the display of polyurethane foam-filled furniture in shops and stores; and again on Thursday when Mrs. Sally Oppenheim, Minister for Consumer Affairs, promised new regulations on the flammability of furniture upholstery to protect us all from the consequences of fire in the home.

So polyurethane foam is currently one of the villains of the piece commercially and domestically. Commercially because the presence of such furniture was a substantial contributory factor to the £2.5m fire at Manchester Woodworth's last May, and the deaths of 10 people there. Domestically because the number of deaths in the home resulting from furniture fires has trebled in the last two decades, although the number of such fires has not increased.

Mr. Whitelaw was making his statement following publication of the report on the Woodworth fire, made by the Planning-Legislation Sub-Committee of the Central Fire Brigades Advisory Council for England and Wales and Scotland Joint Fires Committee.

The report, published last Tuesday, makes it abundantly clear that if sprinklers had been installed at Manchester Woodworth's, the people on the second floor, where all the deaths from fumes occurred, would have had more time to escape. The presence of polyurethane foam furniture was only part of the story.

On the sprinkler aspect, the report suggests that the 1971 Fire Precautions Act could be amended to require the installation of sprinklers in department stores—theoretically a fine suggestion, but one which, if implemented, would quickly overstretch the resources of the sprinkler installers unless the programme of installation were to be phased over some years.

Coming back to the polyurethane foam problem, the Home Secretary has authorised research to devise new controls under section 12 of the Fire Precautions Act. At the same time, other legislative amendments are in hand, guides to standards are to be prepared and in due time fire authorities and the retail trade will learn of the recommendations for change. So will insurers, who have considerable interest in any potential alleviation of British fire wastage, currently reckoned to cost over £1m a day in direct damage alone.

Almost certainly some or all of the report's recommendations will soon be implemented—most probably polyurethane foam furniture will have to be stored in areas where the public has no access, and will have to be displayed in fire-separated compartments or areas with sprinklers.

Mrs. Oppenheim's comments on Thursday emphasise the extent of the problem: speaking of the call by the Fire Brigades Union for a complete ban on the use of polyurethane foam in furniture, she pointed out that many alternative fillings are available, all combustible and many with high fire hazards.

On the domestic front, the plan it to make regulations to require upholstered furniture sold for home use to pass tests for resistance to ignition from such obvious sources of fire as cigarette ends and matches. At the time of sale, furniture will have to bear appropriate warning labels: these regulations are likely to be operational by the autumn of 1981.

## RESULTS AND ACCOUNTS IN BRIEF

ROBERTS, ADLARD AND CO. (Builders' merchant)—Results for 1979 already known. Current assets: £4.2m (23.8%); net current assets: £2.2m (23.8%) including bank overdraft of £233,418 (full), increase in working capital £389,963 (208.82%). Meeting, 115, Red Lion St., W.C.1, at noon.

SHILOH SPINNERS—Results for year to March 29, 1980, with prospects for current year, reported April 11 at noon. Fixed assets £1,001,000. Net current assets £1,35m (21.33%). Meeting, June 18, 11.30 am.

SOUTHWORTH HOLDINGS—Results for 1979 already reported. Fixed assets: £1.15m (22.28%). Current assets: £2.85m (22.44%). Net current assets: £1.7m (21.1%). Chairman says that in UK group there is indication of fall-off of orders, while overseas there is cautious view for optimism. Meeting, Crawley, West Sussex, June 17 at 11 am.

BODYCOTE INTERNATIONAL—Results for 1979 with prospects for current year reported April 22. Fixed assets: £8.4m (27.7%). Net current assets: £7.62m (23.22%). Meeting, Manchester, June 17 at 12.30 pm.

A. AND C. BLACK (publishers)—Results already known. Fixed assets: £487,995 (218.63%). Net current assets: £1.02m (21.04%). Increase in working capital £150,712 (238.32%). Meeting, 15, Bedford Row, W.C.1, June 12, 3 pm.

QUEST AUTOMATION—Results for year to February 29, 1980, reported on May 15 at noon. Fixed assets: £201,000 (241.00%). Net current assets: £2.3m (282.00%). Net increase in working capital £1,541 (25.80%). Chairman says company is looking forward to continued growth and subject to the economic situation is confident of improving results.

ESTATE DUTIES INVESTMENT TRUST—Results for year to March 31, 1980 already known. Investments: £25.8m (21.24%) comprising unlisted £16.57m (16.46%), listed £1.18m (1.22%) and Government stocks £8.05m (8.56%). Net liquid funds increased 50.35m (47.42%). Meeting, Skipton's Hall, London EC3, June 17 at 12.15 pm.

ALBERT MARTIN HOLDINGS (clothing manufacturer)—Results for 1979 already known. Fixed assets: £5.82m (24.02%). Net current assets: £5.82m (24.02%). Chairman says company is principally an additional factory space. Net current assets: £2.12m (23.92%). Increase in working capital £1,365m (21.77%). Chairman says continued emphasis is being placed on developing new merchandise and additional markets. Meeting, 15, Bedford Row, W.C.1, June 12, 3 pm.

CARDIFF PROPERTY COMPANY—Pretax profit for six months to March 31 £20,554 (11.22%), turnover £50,737 (288.62%), tax £2,718 (14.90%). Profit includes £12,854 on the sale of the meetings. Directors say results were

affected by £15,300 loss in the final period of multi trading. Interim dividend unchanged at 0.6p. Total last year 1.0p.

FASHION AND GENERAL INVESTMENT—Pretax profit for year to March 31, 1980, £152,276 (154.54%). Tax £3,544 (3.54%). Meeting, 26, 11 G.90. Minimal 4.5 making 6.5p (5.51p).

British Shoe Corporation (subsidiary of Sears Holdings)—Turnover for year to January 31, 1980, £168.45m (251.92m), pretax profit £77,41m (27.41m) after interest £5,24m (7.78%). Net current assets: £1.1m (10.87%). Increase in working capital £150,324 (137.09%). Meeting, Excelsior Hotel, Heathrow, June 26, 11.30 am.

SEARS HOLDINGS (subsidiary of Sears Holdings)—Results for 1979. Turnover: £198.3m (195.38m), net loss £9.53m (23.43m), non-voting items (debts) of £115,000 (116,000) and no accounts (credits) £1,45m (1.22m), tax £27.1m (27.38m), attributable £50.3m (240.22m), SSAP 15 applied, comparative adjusted.

NORMAN HAY (electronic engineering)—Results for 1979 reported April 22. Fixed assets: £1.21m (1.13m), net current assets: £1.1m (10.87%). Increase in working capital £150,324 (137.09%). Meeting, Excelsior Hotel, Heathrow, June 26, 11.30 am.

BOOSEY AND HAWKES (music publisher and musical instrument manufacturer)—Results for 1979 reported April 19. Fixed assets: £2.01m (28.27m), net current assets: £6.19m (28.27m). Increase in net bank overdraft £1,541 (25.80%). Net increase in working capital £1,365m (21.77%). Chairman says company is looking forward to continued growth and subject to the economic situation is confident of improving results.

BRITISH-BORNEO PETROLEUM SYNDICATE—Results for year to March 31, 1980, reported April 15. Listed UK investments (at or under cost) £2,95m (2.87m). Unlisted overseas (at cost) £12,22m (25.02%). Unlisted overseas value of UK listed £11.35m (11.22m). Listed overseas £465,000 (238.00%). Group net current liabilities £409,000 (258.00%). Decrease in working capital £37,000 (259.00%). Commitments for capital expenditure on exploration in Canada and elsewhere for in the accounts £230,000 (234.00%). At April 23, Consolidated Gold Fields £16.92m (21.04m). Net current assets: £5.3m (25.58m). Meeting, Harlow, Essex, June 13, 3.30 pm.

CITY OF OXFORD INVESTMENT TRUST—Results for year to March 31, 1980 already known. Investments: £4,765m (25.91m). Unrealised appreciation, £1.17m (1.76m). Chairman says for current year, revenue increase will be more modest. But it is hoped to distribute in total, at least the same amount as last year. Meeting, 41, Abchurch Lane, E.C.4, June 18, 12 noon.

CO-OPERATIVE BANK (subsidiary of Co-operative Wholesale Society)—Operating profit for year to January 12, 1980, £5,24m (238.62%). Retained, £5.94m (24.94m). Liquid assets: £135.14m (282.20%). Investments: £28.33m (101.55m). Customer and other accounts: £245.43m (233.33m). Current liabilities: £542.58m (232.48m).

REVERTEX CHROMAGALS—Results for 1979 already reported. Fixed assets: £16.92m (21.04m). Net current assets: £5.3m (25.58m). Meeting, Harlow, Essex, June 13, 3.30 pm.

SOUTHAMPTON LOW STEAM PACKET—Results for 1979 already known. Increase in working capital £1,365m (21.77%). Increase in cash and bank balances £85,301 (464.00%). Chairman says company cannot expect to continue the steady upward trend in profits of recent years. But he sees no reason why 1980 results should not be in the bracket of those for 1979 and 1978. Meeting, Post House Hotel, Southampton, May 21, 12 noon.

PERVEX LANE GROUP (manufacturer of window assemblies)—Results for 1979 already known. Fixed assets

£5.33m (23.31m), net current assets £1.28m (1.45m). Mr. R. P. Lane, the chairman, says prospects remain very uncertain but the group has made a firm start to 1980 which gives some grounds for hoping for modest progress. Meeting, Excelsior Hotel, Birmingham, May 21, noon.

CARPETS INTERNATIONAL—Results for 1979 reported March 28 in preliminary statement with prospects. Group fixed assets: £28.49m (28.85m). Net current assets: £29.26m (28.4m). Borrowings: increased £1.34m (10.38m) decrease. Meeting, 14, Barnes Street, W. May 21, at 12.30 pm.

REED EXECUTIVE (employment agency and drugstore operator)—Results for 1979 and prospects published April 1. Group fixed assets: £4.2m (12.08m), net current assets: £1.58m (22.02m), increase in working capital £84,000 (1.03m). Historic pre-1979 profits of £3.16m (1.81m). Short term of equity at April 3, Messing, Aylesbury, Bucks., May 21, at noon.

SPEAR & JACKSON INTERNATIONAL (manufacturer of steel, saws and garden and hand tools)—Results for 1979, and prospects, reported April 24. Historic pretax profit of £1,97m (1.85m) reduced by £1.16m (0.97m) on CCA basis. Group fixed assets: £5.59m (24.48m), net current assets: £8.03m (27.32m). Net inflow of funds £1.08m (13.1m). Professional property valuation at year-end showed £3.65m surplus over book value. Meeting, Chartered Accountants' Hall, EC, May 23, 11 am.

FEB INTERNATIONAL (manufacturer of chemicals and retail distributor of building materials). Results for 1979 reported April 3. Group fixed assets: £2.2m (1.36m), net current assets: £792,000 (2816,000). Increase in working capital £176,000 (£77,000). Chairman expects trading conditions to be difficult in 1980 for both divisions, but he believes company will be able to report further growth and improved profitability in a year's time. Meeting, Swinton, Manchester, May 20, 10.30 am.



## Artoc Bank and Trust LIMITED

### City and Continental Consolidated Ltd.

A WHOLLY OWNED SUBSIDIARY OF

City and Continental Property Group Ltd.

have acquired the whole of the issued share capital of

## Anstralind Steam Shipping Co. Limited

and its subsidiary

### Trinder, Anderson and Co. Limited

Artoc Bank and Trust Limited acted as financial advisors

and arranged finance for the acquisition.

Head Office: Charlotte House, Charlotte Street, P.O. Box N8319, Nassau, Bahamas  
Tel: (809) 32-51483 Telex: 2070 ARTOC BANK

REPRESENTATIVE OFFICE  
24 Yeomans Row,  
London, SW3, England  
Telephone: (01) 581-2355  
Telex: 916247

ADVISORY OFFICE  
Arab Gulf Building,  
El Sour Street,  
P.O. Box 23074, Kuwait  
Telephone: 421390  
Telex: 2366 (ACSA KT)







## INTL COMPANIES & FINANCE

### Fiat earnings depressed by car division losses

BY RUPERT CORNWALL IN ROME

FIAT, Italy's largest industrial group in private hands, yesterday reported a net loss of L97.2bn (\$117m) on its car operations last year, but despite this managed a profit at holding company level.

The 1979 accounts issued yesterday by the holding company, Fiat SpA, are the first since the corporate reorganisation which hived-off the group's various industrial divisions into separate operating companies, each controlled by Fiat SpA.

However, contrary to expectations, the group decided to include its car losses, as well as the smaller deficit of L23.3bn (\$30.5m) on Fiat's steel activities, in the 1979 results instead of allowing them to show through in the current year.

Despite this move, Fiat SpA reports a net profit of L39.4bn (\$47.7m) for 1979, compared with declared net earnings of L74.6bn for 1978, the last year in which industrial activities were included fully in the company's results.

The board has decided to pay an unchanged dividend of L185 on both ordinary and privileged shares. At the same time Fiat announced that Sig Guido Carli, formerly governor of the Bank of Italy, and head of Confindustria, the private employers' association, is joining the main board.

The loss of Fiat Auto, the car division, which compares with an estimated breakeven in 1978, reflects losses of production as a result of labour unrest last year, and diminished competitiveness on foreign markets. In Italy last year Fiat produced 1.31m cars, 1 per cent less than in 1978, while strikes cost an estimated 200,000 units of lost output in a generally buoyant year for new car demand.

The board underlined that the gap between Italian and foreign markets and rivals had not been compensated for either by a rise in productivity

at home, or by a downward adjustment in the lira's exchange rate.

Nonetheless, investments by the car division totalled L415bn (\$500m), while depreciation was L220bn on a turnover up by 22 per cent at L7,052bn—not far short of half total consolidated Fiat sales for 1979 of L15,056bn.

A much smaller deficit of L8.2bn (\$9.8m) was registered by Fiat's heavy vehicle interests incorporated in the Iveco concern, for essentially the same reasons as those underlying the car losses.

However, many of the smaller diversified activities of Fiat were profitable last year. The four main components subsidiaries, Weber, Gilardini, Fiat Lubrificanti and IRI, made combined profits of L24.4bn. Machine tools produced earnings of L6.5bn, while Fiat's military engine and telecommunications businesses also were in the black.

### Iveco disposal snags for KHD

BY ROGER BOYES IN BONN

KLOECKNER Humboldt Deutz, the leading West German diesel engine manufacturer, is having problems in shedding its interests in commercial vehicle production.

KHD has for some time made clear that it wants to dispose of its 20 per cent stake in Iveco, an Amsterdam-based concern set up to group the commercial vehicles divisions of both KHD and Fiat. Under the original 1974 contract, KHD has the right to sell its stake to Fiat in the course of this year—but now Fiat appears to be questioning the asking price.

Herr Bodo Liebs, KHD chairman, told reporters in Cologne that "so far Fiat has declined to pay the agreed purchase price and has made use of its contractual right to invoke arbitration procedures." The purchase price of the 20 per cent stake was fixed in the original contract. Fiat has the right to pay either in the form of a lump cash sum or in five yearly interest-bearing instalments.

Until the issue is settled, KHD remains formally a shareholder in Iveco, though because it has made use of its sales option it will not receive any further financial benefits.

KHD's decision to get out of commercial vehicle production reflects a change in strategic emphasis. The concern now intends to avoid minority stakes and will concentrate on three main divisions—engine production, agricultural machinery and industrial plant. The shedding of the Iveco stake will, KHD believes, give the company more flexibility in its fast growing diesel engines sector, though there will be a regular long-term supply of engines to Iveco.

Last year the group's external sales increased by DM 511m to DM 4,25bn (\$2,38bn). The increase followed from across-the-board improvements, though the main focus was on the engine (especially the small air-cooled diesel engines) and agricultural divisions.

Net profits rose from DM 45.9m to DM 53.1m, allowing both an unchanged dividend of DM 7 per share and a transfer to reserves of DM 15m.

Herr Liebs, however, warns that margins will be under severe pressure in the coming year and that while turnover will rise substantially—thanks to the booking of large orders in the industrial plant division—profits are unlikely to see any radical increases. This is mainly because of step rises in labour, production, fuel and raw material costs.

In the first three months of the current year, turnover was up by 6 per cent while the engines division again leading the way in terms of growth. Demand for air-cooled diesel engines was up by 26 per cent and a slight upturn in the shipping sector is benefiting medium- and large-sized engines. The agricultural division saw orders drop by 17 per cent, however.

### Norwegian shipping line expects profit recovery

BY FAY GJETER IN OSLO

NORWAY'S largest shipping concern, Wilhelmsen, reports a full year net profit of Nkr 119.2m from Nkr 169.5m for 1979, but foresees better results this year. Declines last year were due to several factors, among them the "special problems in the Middle East" delayed delivery of new ships for the liner fleet, and costly conversions of the group's oil rigs.

Net capital costs increased by Nkr 26.2m to Nkr 93.7m, reflecting heavy investment in new ships during the past few years, coupled with the rise in interest rates. The higher capital costs were more than offset, however, by Nkr 146.7m profits on ship sales.

Most of Wilhelmsen's earnings are in dollars and reckoned in this currency, gross freight earnings rose by about 5 per cent. In kroner, however, they fell slightly. Of the total, 79 per cent came from liner operations, 12 per cent from tank and bulk and 9 per cent from offshore.

At end 1979, the group's fleet numbered 49 vessels and three rigs.

The annual report points out that finance and satisfactory employment have been secured for all the new vessels acquired during recent years as well as for two supply ships and a drilling rig currently on order. Liquidity is also said to be satisfactory.

Replacement of older tonnage in the liner fleet has now been completed and the group's three co-operating companies are operating ships which "rank with the best and most competitive in their respective sectors."

Confidence in a better result this year reflects the fact that for all the group's rigs, that 90 per cent of the bulk fleet has been chartered on firm contracts for 1980 and that the new ro-ro ships have begun showing a good profit.

### Renault sells stake in moped maker

By David White in Paris

THE RENAULT motor group has sold its stake in a leading moped and bicycle manufacturer, Motobecane, to the Dassault aircraft group.

The state-controlled car company said it was no longer interested in staying in the troubled motorcycle business. Renault bought its stake of about 18 per cent five years ago.

Motobecane's rival for top place in its sector in France, the Peugeot group, is the other major shareholder, with about 17 per cent.

Dassault's purchase of the 206,000 Renault shares fits in with its known ambition to help organise a French response to Japanese domination in the motorcycle sector.

The announcement was preceded by strong demand for Motobecane's shares, which rose last week by about 23 per cent to FF 89. Motobecane welcomed as "positive" the new association with a group which had access to advanced technology.

Renault said that it would stay in the unmotorised bicycle business by developing its subsidiary, Microm Gitan. The latter's production rose by 17.5 per cent last year to 200,000 units.

### Australian bid by Nat-Ned

By Charles Batchelor in Amsterdam

NATIONALE-Nederlanden, the largest Dutch insurance group, plans to expand in Australia with an A\$1.3m (U.S.\$1.5m) bid for the capital of Australian Community Insurance.

NN's local subsidiary, Associated National Insurance, of Sydney, will offer A\$1.30 in cash for each share. The bid is conditional on acceptance from owners of at least 90 per cent, and on the Australian authorities approving the deal.

### Upturn at Spanish bank

BY ROBERT GRAHAM IN MADRID

BANCO URQUIJO, Spain's leading industrial bank, increased pre-tax profits in 1979 by 15 per cent to Pta2.2bn (\$31m). This is a considerable improvement on the previous year when profits fell back, adversely affected by the domestic recession. Urquijo attributes the performance to a combination of cautious management, increased foreign activity, and a recovery by some important industrial concerns in its portfolio.

At the same time, Urquijo moved further away from its role as an industrial bank, by opening more domestic branches.

The bank also managed to raise branch productivity and dilute the heavy personnel costs that are now hitting banks.

Despite opening nine new branches, the workforce fell back marginally. Urquijo's ratio of deposits per employee was almost six times the norm among private banks in Spain.

Urquijo is seeking to drop the label industrial bank and is defining itself as a wholesale bank.

After paying Pta 444m in tax, the bank has decided to set aside Pta 1.7bn for dividends, a 17 per cent increase.

The importance of foreign business last year was underlined by the fact that two-thirds of Urquijo's increase in lending came from foreign currency. Foreign business accounted for 40 per cent of total activity. Urquijo last year doubled its provision for doubtful debts to Pta 1.2bn.

### German insurer holds payment

BY OUR BONN STAFF

ALLIANZ VERSICHERUNG, the leading West German motor, property and casualty insurance group, has recorded a year of strong overseas growth and a revival in domestic business. Both turnover and profits have exceeded earlier expectations while the company's 20 per cent dividend is maintained.

Premium income for the group worldwide rose 17 per cent to DM 10.5bn, and group profits totalled DM 199.3m compared with DM 191.5m in 1978. The parent company recorded a net profit of DM 183.3m against DM 151.6m, while some

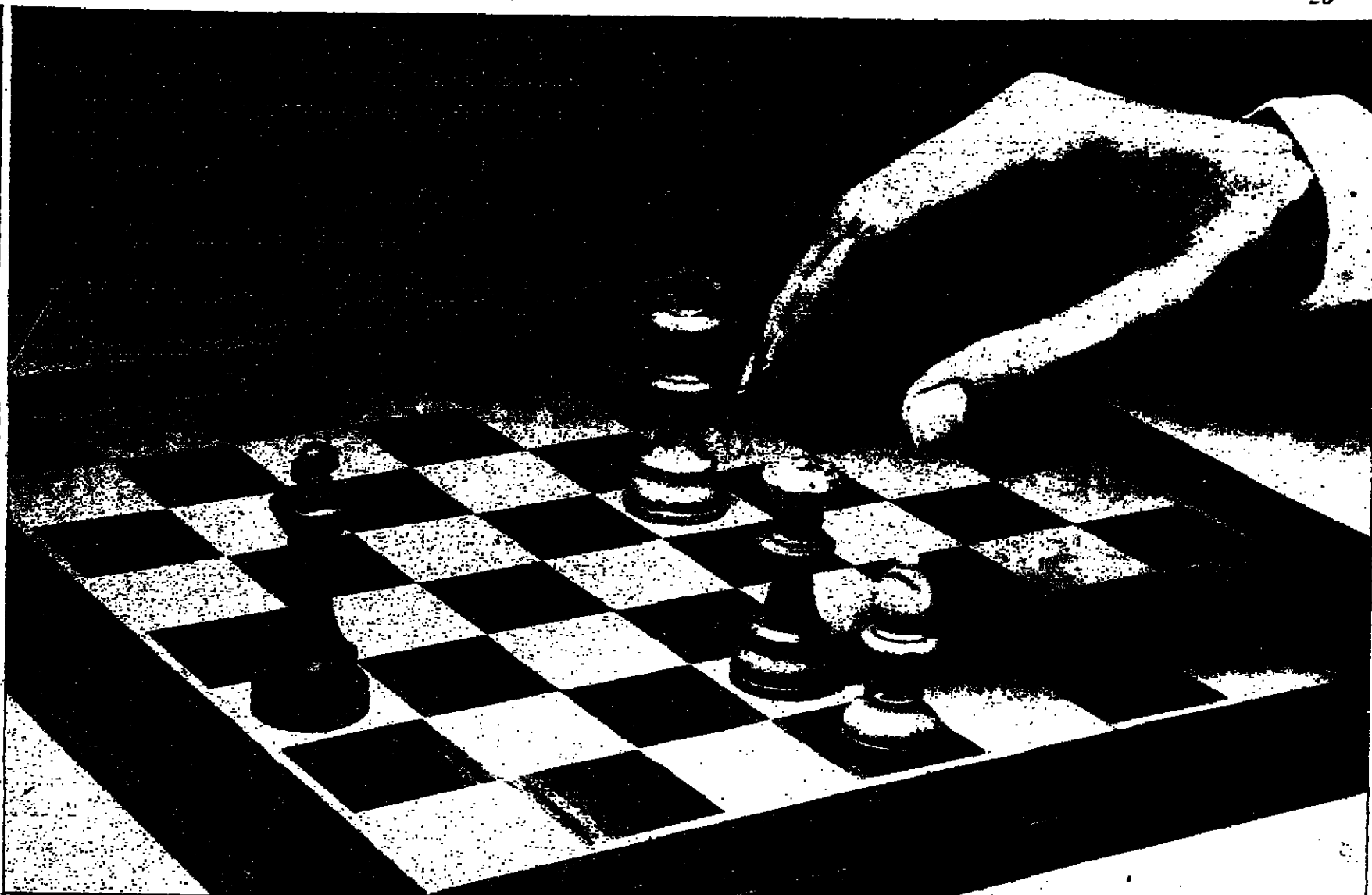
DM 101m is to be transferred to reserves, DM 10m more than in the previous year.

The domestic revival after two years of tapering growth is partly the result of an increase in motor insurance rates. Motor insurance is by far the most important sector of Allianz's domestic activities, accounting for 46.7 per cent of business compared with 45.2 per cent in 1978. The group had been expecting an avalanche of claims in the motor division, judging by the trend in the first half of 1979. But this failed to materialise. Allianz executives believe that motorists

may have started to respond to the energy crisis by driving more slowly.

Allianz's market share in Germany is believed to be between 17 and 18 per cent, but it is difficult to see where the company can expand in the near-saturated domestic market. This factor has clearly prompted Allianz to transfer part of its wealth overseas in a quest for new markets. Foreign business now accounts for 10 per cent of Allianz's premium income.

The group's U.S. interests brought in premium income of DM 468m last year.



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## McIlwraith almost doubles earnings

By Our Sydney Correspondent

McILWRAITH-DAVEY Industries, the hardware group, which is currently involved in a \$57m takeover battle for Overseas Corporation (Australia), the household products and building materials group, almost doubled its profits, from A\$3.5m to A\$6.5m (US\$7.4m) in the year to March 31. The result was achieved on an increase in group turnover of only 8 per cent, from A\$138m to A\$150m (US\$171m). Earnings per share advanced from 20.7 cents to 32.4 cents, but the dividend is held at 14 cents a share.

The directors said that the glass operations had been further strengthened and achieved a record profit.

The McIlwraith result compares with a profit of A\$5.7m for Overseas Corporation in 1978-79, and an 11 per cent increase to A\$6.3m in earnings for the half-year to December. McIlwraith has launched an on-market offer for Overseas at A\$1.35 a share, after first buying a 20 per cent holding through a lightning market raid.

McIlwraith's action foiled a proposed A\$65m merger between Overseas Corporation and Metro Meat, a meat and cold store group, but the overseas directors have labelled the McIlwraith bid as inadequate and retained a merchant bank, Australian United Corporation, to assist in "an appraisal of further opportunities for further acquisition, and to appraise the existing capital structure."

## Olympic support for higher bid by Dunlop Australia

BY JAMES FORTH IN SYDNEY

DUNLOP AUSTRALIA has raised its takeover bid for Olympic Consolidated Industries by A\$12.5m to just over A\$90m (US\$103m)—and has gained the support of the Olympic board. The takeover will create one of the largest manufacturing groups in Australia with annual sales of almost A\$1bn (US\$1.14bn) and more than 20,000 employees.

The group will command about 35 to 40 per cent of the tyre market in addition to its cable and industrial products manufacture. Dunlop intends to change its name to Dunlop Olympic Ltd. and two Olympic directors, including the chairman, Mr. Ian Beaurepaire (a

son of the founder and former Olympian, the late Sir Frank Beaurepaire), will join the board of the combined group.

Dunlop initially offered \$A1.20 a share, or A\$79m with an alternative of one Dunlop share plus 55 cents for each Olympic ordinary share and convertible note, but this was rejected as inadequate. Dunlop has now agreed to raise its cash bid to A\$1.40 a share, and similarly increase the cash content of its alternative offer to 75 cents. The share-cash alternative values Olympic shares at just over A\$1.50.

Olympic directors will recommend the higher offer and accept for their shareholders.

Dunlop's financial adviser, Hill Samuel Australia, considers the price offered is fair, and in the interests of Dunlop holders. The adequacy of the bid is also supported by an independent valuation undertaken by Schroder Darling and Co. on behalf of Olympic.

The takeover will require Trade Practice approval. If this is forthcoming it is intended to maintain Dunlop and Olympic brands in the market, and to retain the "separate competitive identity" of the two groups' tyre service centres. Dunlop also intends to retain Olympic's highly profitable 50 per cent stake in the cables group, Olex Cables.

## U.S. group lifts stake in ICA

BY OUR SYDNEY CORRESPONDENT

THE U.S. group, Combustion Engineering, has lifted its shareholding in the boiler maker and power equipment supplier, International Combustion Australia (ICA), from 13.4 to 19.9 per cent. This steps just short of the 20 per cent level beyond which the U.S. group would be required under stock exchange listing rules to extend a bid to all shareholders.

But the U.S. group's indirect stake is higher because it is also a major holder in International Combustion Holdings of the UK, which sold the shares in ICA. The UK group held 39.5 per cent of ICA but has now placed 32.5 per cent of the capital through Melbourne share

broker, J.B., were at A\$5 (US\$5.74) a share, raising A\$19.9 (US\$15.8m). The remainder were sold to institutions, with the UK group retaining a 7 per cent equity. The deal would presumably require the approval of the Foreign Investment Review Board.

METALS EXPLORATION and its partner, Freeport Minerals of the U.S., intend to go ahead with a proposal to reduce the costly fuel oil consumption of their nickel-cobalt plant at Greenvale in Queensland. The project will cost about A\$45m (US\$51.7m) and involves installation of a new coal fired

boiler and conversion of ore dryers to coal firing. The engineering group, Babcock Australia, in association with John Holland (Construction), has been awarded a turnkey contract worth about A\$36m to carry out the conversion. It is the largest conversion contract awarded in Australia, and will attract tax concessions recently announced by the Federal Government.

The partners expect fuel oil consumption to be reduced by about 45 per cent from the present 335,000 tonnes a year, resulting in substantial operating cost savings, and thus improving the competitiveness of the alling nickel-cobalt producer.

## South Korean borrowing hold-up

By Charles Smith in Seoul

SOUTH KOREA'S international credit rating has plunged as the result of the political upheavals of the past two weeks, according to foreign bankers in Seoul.

One manager of a major American bank branch says that all negotiations on syndicated loans to Korean borrowers have been "put on ice" since the start of the troubles. Looking further ahead foreign bankers see a strong possibility of a permanent halt to long term lending if the Korean armed forces fail to give some indication that the country will move forward towards a democratic system.

Korea is the heaviest borrower among the four so-called new industrial countries of East Asia, the other three being Hong Kong, Singapore and Taiwan. Its Government has planned to pump a total of around \$7.5bn worth of foreign exchange into the economy this year, of which about \$1.7bn would have been obtained in the form of long-term loans from private financial institutions. The first major loan of the year was agreed in March when a group of foreign banks agreed to lend \$500m to the Korea Exchange Bank over an eight year period.

During May talks began on a series of \$50m syndicated loans for the five main Korean commercial banks, of which one (for Hanil Bank) had been completed before the start of the political upheavals. Bankers say they think it will be hard to proceed with the others for the time being, or with two other loans currently under discussion. These are for the Ministry of Communications (\$4m) and for the Korean Overseas Construction Company (guarantees for a performance bond on an overseas construction contract).

The next major borrowing operation would have been a \$600m syndicated loan to the Korea Development Bank. This was scheduled for July but it now appears exceedingly doubtful whether it can go ahead on time. Some indication that Korea is making progress towards solving its problems will have to be given before the KDB can start negotiations, the bankers say.

Foreign banks are continuing to make available short-term trade financing for Korea (without which the country's economy would grind to a halt). They say however that even those Korean banks which have already completed negotiations on syndicated borrowings might be unwise to make drawings on their loans at the present time. Most syndicated loan agreements include a "materially adverse change" clause which permits the lender to withhold payment of a loan if the borrower's circumstances change in a way which throws serious doubt on its ability to pay.

Korea's international payments situation has been deteriorating during the past six months for purely economic reasons and is expected to remain weak throughout the coming year. In normal circumstances overseas banks with branches or representative offices in Seoul would have felt themselves under some obligation to assist the country through this difficult period. This sense of obligation, however, appears to have been eroded by the political "happenings" of the past few days.

## Japan Line reduces loss and sees return to black

BY RICHARD C. HANSON IN TOKYO

JAPAN Line, which is under financial reconstruction with the help of its main banks, has reported sharply reduced net losses for the year to March 31 with the shipping industry, except in tankers, recovering from a long slump. A return to profit is expected in the current year.

The net loss for the year narrowed to Y1.79bn (\$8.1m) from Y12.37bn a year earlier. Revenues gained 38 per cent to Y292.2bn (\$1.3bn) resulting in the first operating profit in four years. The improvement may allow the company to begin repayments on the mass of loans it has accumulated after three years of moratorium on pay-

ments, allowed by the banks, under a plan aimed at keeping the company afloat.

At the end of the current year, interest and principal payments on Y70bn will have been deferred. Its accumulated loans to the banks, including the government Japan Development Bank, totalled Y78bn at the end of March.

Japan Line is the largest tanker operator in Japan, and suffered large losses when the bottom fell out of the tanker business in the mid-1970s. The reconstruction moves are being led by the Industrial Bank of Japan.

With the strong performance of the Japanese economy last

year, shipping, particularly for imported cargoes of raw materials, improved steadily. The market for small to medium size tankers recovered enough to justify the company this year planning to purchase two new 80,000-ton class tankers—the first new tanker purchase since 1973. The company expects some improvement this year even in large tanker business, but will still rely on its tramp and liner business to balance out losses on the tanker side.

The company is forecasting a net profit this year of Y3bn and a further 10 per cent rise in revenues to Y320bn. It would be the first net profit since 1977.

## Higher prices boost Nippon Oil

BY YOKO SHIBATA IN TOKYO

NIPPON OIL, the Japanese oil refiner with the largest market share in the country, achieved a sharp rise in earnings for the fiscal year ended March helped by large oil stockpiles and increases in selling prices. Operating profits showed an advance of 314 per cent to Y39.45bn (\$178m) and net profits were up 88.4 per cent to Y11.16bn. Profits per share climbed to Y17.49, from Y10.32.

Sales of oil in volume gained by 2.8m kilolitres to 55m kilolitres as a result of a stable oil supply from Saudi Arabia (through Caltex). Of the sales,

Saudi Arabian Oil accounted for 80 per cent and the rest was Indonesian. Selling prices were lifted seven times during the year, and total turnover rose by 68.3 per cent to Y2.713.4bn (\$12.5bn).

However, the company suffered exchange losses of Y48.28bn following the effects of the Yen depreciation on deferred payments for crude oil imports. Of this total, by the parent company accounted for Y12.31bn, and the refining subsidiaries for Y35.94bn. The exchange losses were largely offset by profits from operations in the securities market.

Because interest rate rises, the interest burden on the company's import of (Japanese oil refiners borrow U.S. dollars for the settlement of payments for crude oil imports and repay in Yen four months later) reached Y18bn.

Owing to the uncertainties over the outlook for crude oil prices and foreign exchange rates, the company has given only a half year forecast of earnings and sales. Operating profits for the current half, ending September, are expected to reach Y30bn up 439 per cent, on interim sales of Y1,760bn, up 72 per cent.

## Semiconductors lift Fujitsu

BY OUR TOKYO CORRESPONDENT

FUJITSU, Japan's largest computer manufacturer, has reported a 45.8 per cent rise in net profit to Y15.6bn (\$70.6m) for the year to March mostly as a result of the boom in semiconductor sales being enjoyed by the electronics industry around the world.

Semiconductor sales, at about Y48bn, were double the previous year's level, leading overall sales up 13.6 per cent to Y501bn (\$2,270m). Sales of computers, 65.2 per cent of all revenues, rose by a more modest 7.8 per cent. Exports were up 23.1 per

cent, to account for 16 per cent of sales.

Fujitsu, like the other semiconductor producers, is spending large amounts on new capacity, devoting Y14bn last year and planning an additional Y20bn this year. Total capital spending this year is planned to reach Y43bn.

Toward the end of the year Fujitsu will strengthen its overseas sales network through a joint venture in the U.S. with TRW Inc. The new company will initially sell a range of Fujitsu small to medium size

computers and peripheral equipment, while large size computers will continue to be sold by Amdahl in the U.S.

The boom in semiconductor sales is expected to continue this year, while sales of other products remain steady. The total is expected to be up 13 per cent to Y565bn, and the company is predicting a more cautious 9 per cent increase in net profit.

Fujitsu paid a special Y1.5 dividend during the latter half of the year, in addition to the regular Y6 payout for the year.

## U.S. dollar issue by Fuji Bank

BY PHILIP BOWRING IN HONG KONG

THE HONG KONG branch of Japan's Fuji Bank is making a U.S. dollar CD issue with its interest rate based on the "Hong Kong interbank offered rate." The issue is of U.S. \$20m for three years, and with interest at 0.25 per cent over the Hong Kong interbank rate for the U.S. dollar.

This is the second U.S. dollar CD issue to be made in Hong Kong. The first, announced last week by Bank of Tokyo of U.S. \$10m with similar terms but based on London interbank offered rate (Libor), was announced last week.

The development of U.S. dollar CD issues in Hong Kong marks a new departure for the

colony and is clearly aimed at helping it maintain its position as the leading financial centre of Asia. Hitherto the only U.S. dollar CD market has been in Singapore because of the existence in Hong Kong of a 15 per cent tax on interest.

However, the Hong Kong Government has now indicated to bankers that it does not regard such issues as being subject to interest tax, even when issued by a bank branch in Hong Kong, provided that the funds are made available in the first instance outside Hong Kong.

The Fuji bank issue, which is being managed by Kleinwort Benson (Hong Kong) and Fuji

International Finance (HK), represents the first official appearance of the "Hong Kong interbank offered rate (HIBOR)." There is no reason to believe that HIBOR will differ from Libor (Singapore) or Libor.

Some bankers regard the use of the term as something of a gimmick at this stage. Singapore remains the Asian centre for U.S. dollar interbank transactions and the funding centre for syndicated and other U.S. dollar lending from Hong Kong.

The managers of the Fuji issue undertake to provide a secondary market, as do Salomon brothers and Tokyo Finance (Asia), in respect of the Bank of Tokyo issue.

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## Issue by Arab Malaysian Finance

By Wong Sulong in Kuala Lumpur  
ARAB MALAYSIAN Finance Berhad has launched a 20m ringgit (US\$3.26m) seven-year bond issue. The bonds, maturing in 1987, are registered in denominations of 1,000 ringgit each, and carry a coupon rate of 8.5 per cent payable twice-yearly.

The bond issue, underwritten by four banks, led by Amanah-Chase Merchant Bank Berhad, is fully guaranteed by Arab Malaysian Development Bank, the holding company of Arab Malaysian Finance.

The bonds will qualify as authorised investments under the Insurance Act and will be listed on the Kuala Lumpur Stock Exchange. Mr. Hussain, Najadi, managing director of Arab Malaysian Development Bank, said the yield differential is two percentage points above those on comparable Government securities. He expressed confidence that the bonds would be well received, in view of a high yield, and their marketability on the exchange.

With the emerging trend towards establishment of resource-based and energy-intensive heavy industries in the 1980's, he said, Malaysian enterprises were expected to resort increasingly to bond issues in addition to funds from share issues and bank borrowings.

هكزامن الاصل



CONTRACTS

# £7m building at naval hospital

MARPLES RIDGWAY has been awarded a £7m contract in connection with the Royal Naval Hospital at Haslar, Gosport, by the P&A's directorate of Defence Services. The work which consists of new buildings within the grounds of R.N.H. Haslar and alteration and reconstruction of existing structures is expected to begin in June 1980 and will take three years to complete.

J. AND J. FEE, the industrial and commercial building contractors from Halifax, has been awarded contracts totalling £5.2m. These include 106,000 sq ft of industrial units in Leeds for the Standard Life Assurance Company, a new £1.5m supermarket complex at Manchester and a 18,000 sq ft design and build contract for Bray's Bakery, in Leeds.

ELECTROPAINT, Lichfield, has a £250,000 contract to supply a conveyorised painting facility for Concentric (Pressed Products), Handsworth, Birmingham, in conjunction with I.C.I. paints division, who will be supplying the paint and the pretreatment chemicals.

LONDON AND NORTHERN GROUP has been awarded contracts valued at £1.4m in the Midlands and Scotland. In the Midlands, heating and plumbing contractors based at Blantyre in Scotland, has two new contracts valued at £645,000. One is for £455,000 for plumbing and heating installations in 245 new houses for Glasgow district council (main contractor is Leonard Fairclough). The other contract is for plumbing work only, also on new dwellings, at Irvine Newtown for Irvine Newtown Corporation. In the Midlands E. Fletcher Buildings (Midlands) is due to start work on 50 flats for the Royal British Legion at Hounslow, London. The Melton Mowbray on June 2. This order is worth £51,733 and is due for completion in 19 months. Work valued at £58,000 has commenced on a block of six flats for Kettering borough council in Station Road, Kettering.

A contract worth about £127,500, which includes site development works, has been awarded to BRIAN HOLLY, Newcastle upon Tyne, build a factory for the Development Commission at Rothbury, Northumberland.

VICKERS NUCLEAR, the Swindon-based division of Vickers Limited, has been awarded a contract worth about £850,000 for nuclear reactor components. The largest has been placed by the United Kingdom Atomic Energy Authority at Risley for guide tubes for the prototype fast reactor at Dounreay, Scotland. The components will be used in the core of the reactor and are part of the plant safety equipment. The UKAEA has also ordered an instrument guide tube for the Dounreay reactor safety shutdown mechanism. British Nuclear Fuels at Springfields has placed a repeat order valued at about £100,000 for springing coils, devices used on fuel stringers for the core of the advanced gas cooled reactor at Dungeness in Kent.

BARRATT CONSTRUCTION, Elton, Aberdeenshire, has been awarded a contract for building 19 old peoples' flats at Thomson Street, Aberdeen. Work on the project, for Castlehill Housing Association, begins this month with completion by July 1981.

The British Transport Docks Board has placed the main contract for Gerson's new £11m coal shipping terminal with the Bristol firm of WALKER ENGINEERING. This follows the announcement that Mr. Norman Fowler, Transport Minister, has agreed a government grant of £250,000, towards the special new rail facilities which will serve the terminal. The development will supply the National Coal Board's markets in Northern Ireland, the Irish Republic and the Isle of Man from pits in the North Midlands, Lancashire and Yorkshire. It will have a potential capacity of 1m tonnes/year and should open in early spring 1981.

N. G. BAILEY (INSTRUMENTATION), Bradford, has been

awarded a contract, worth over £100,000, for instrumentation and control systems for a 300 tonne vacuum degassing unit to be installed on the BOS plant, at BSC's Scunthorpe works. Awarded by Standard-Messo Duisburg, the contract features a programmable logic control unit with 256 inputs and outputs, thyristor drives, auxiliaries board, display panels, control desk, and multi-metre control centre.

HOUCHEIN, part of the Dale Electric International Group, has won a £300,000-plus contract to supply the fixed 400 KHz power for the distribution system for the Standard Life Assurance Company, a new £1.5m supermarket complex at Manchester and a 18,000 sq ft design and build contract for Bray's Bakery, in Leeds.

TUNGSTONE BATTERIES has received an order with over £400,000 through associate company, Telepower Systems, to supply batteries and chargers for the Republic of Ireland's post and telecommunications department. A test starts work later this year on the installation of these standby power systems at 50 telephone exchanges.

A £300,000 share of Electrolux's £31m development programme has been won by M. L. SHILLLEY AND PARTNERS, Huntingdon, designer and manufacturer of vacuum-forming machinery, which recently became part of the Deacon Industrial Group. The order is for four SPDE 6038 1000mm wide machines with quartz heating elements and digital control circuits for producing refrigerator body and door liners.

A contract to design and supply a complete solvent recovery plant for the recovery of carbon tetrachloride has been placed with SIMON-CROFTS & SONS, Long Melford, Suffolk (Simon Engineering Group) by ICI Mond Division. The plant, which will be mostly fabricated in titanium, is to be installed at Widnes, Cheshire.

Mobile North Sea has awarded a contract to the Datakeep Division of HAYS BUSINESS SERVICES for land-based storage of material related to the oil company's North Sea exploration activities. In essence the contract will concern the storage of duplicate computer tapes housing data of area, line and shot points, core sample, seismic section and well-logging storage plus reprographic reproduction of sections and logs.

## Rail wagons for cement

A £2.5m contract for 34 rail wagons to carry cement has been placed by Blue Industries with PROCOR (UK), Horbury. Each wagon has a capacity of 36.5 tonnes, and the order is one of the largest to be placed with a private rail wagon builder since nationalisation. Delivery will start in March next year for completion by October 1981.

An order for 45 advanced machine tools with a total value of £3.1m has been won by TI machine tool companies, 11 CHURCHILL, Blyden on Tyne, and TI MATRIX, Coventry, for equipping the new Eaton transmission factory at Manchester which replaces the plant destroyed by fire last year. The plant will make truck transmissions.

Orders for 200 machines worth about £1.75m were placed with Leicester-based machine tool manufacturer, BRIDGEPORT TEXTRON, during the first week of the March 80 international machine tool exhibition, National Exhibition Centre, Birmingham.

BARRY-WEHMEIER have won a contract worth £1.5m to equip a new bottling plant for Tanzania Breweries at Arusha. A variety of handling equipment is to be supplied, to create a complete bottling line capable of processing 36,000 "Eurobottles" per hour.

FLETCHER-SUTCLIFFE WILD, Yorkshire-based manufacturer of mining and materials

handling equipment, has won two major orders. One, a joint venture with Westwirth, West Germany, involves a 345 metre bridge conveyor handling 3000 tonnes/hr for a quarry development by Blue Circle Industries at Dunbar. The conveyor will travel on two crawler mountings, each independently driven, under the ends of the bridge section. Commissioning should take place in late 1981.

The second contract from Babcock Hydro Pneumatics, is for a mobile hopper, two belt conveyors, gantry structure and two junction houses to handle 755 tonnes/hr ash at Drax power station.

BRIDON WIRE, Doncaster, is to supply its largest ever single wire contract in the form of bright high-tensile steel wire ordered by Standard Life Assurance and Cables for the strength member for a major part of a new light-weight transatlantic submarine cable. When completed in 1983, the cable, known as TAT-7, will connect Lands End on the English coast with Tuckerton, New Jersey, in the U.S. — a distance of 3,410 nautical miles. With a capacity of 4,200 circuits, the cable will carry telephone calls, computer data and telegraph messages. Bridon Wire is already producing a large part of the wire requirement for the strength member of a submarine telephone cable to link Taiwan and Guam. This cable, which will be about 1,700 nautical miles long, is being made by Sanyes Wire and Cable Company, Portsmouth, New Hampshire, U.S., for Western Electric International. These two orders amount to over £1m.

Scottish Gas has placed an order, totalling almost £500,000, with PVE BUSINESS COMMUNICATIONS, Cambridge, for the supply and installation of an EXX 8000 electronic telephone exchange. The system is scheduled to be operating by March 1981 in the regional head office at Granton House, Edinburgh.

The engineering division of AEG-TELEFUNKEN (UK) has received an order valued over £450,000 for 380V motor control centres, type SV81 and bus-trunking equipment for the Ras Lanuf ethylene complex, from Stone & Webster Engineering, agent for the Asawari Oil Refining Company, operating in the Socialist People's Libyan Arab Jamahiriya.

Radio Telefe Eirann, Ireland, is to purchase a new £370,000 four-five colour camera outside broadcast unit from LINK ELECTRONICS, Andover. Bodywork for the unit will be supplied by Dell Technical Vehicles, Southampton, and all equipment will be supplied and installed by Link.

MITELE TELECOM, Slough, has received an order from Southern Electricity Board, totalling more than £250,000, for 22 SX200 switching systems to be supplied over the next 12 months.

SMF Data Services, a computer bureau, has placed an order for two SPERRY UNIVAC 1100/60 computers worth about £355,000. Installation should be completed by September.

FERRANTI COMPUTER SYSTEMS has received an order from Chevron Petroleum (UK) valued at £300,000 for a computer monitoring and control system on the North Sea Ninian Field.

The Weston-Super-Mare firm of CONCARGO has won an order for more than £500,000 worth of refrigerated containers, to be used on the route connecting Australia with the Gulf States. The order is for 144 Isofreezer containers, placed on behalf of P & O Strath Services. They will be fitted with Email two-piece refrigeration machinery.

The National Coal Board has placed a contract worth £500,000 with QUALITY HALL AND COMPANY, Barnsley, South Yorkshire, to connect Houghton Main with Deane Valley Colliery by half a mile belt conveyor. The company is installing four belt conveyors which will form the link between the two collieries, one bifurcated chute with hydraulic operating gear to the existing Deane Valley Conveyor, one discharge chute and a 6 ft diameter spiral chute. Also being supplied and erected are four conveyor gantries and four conveyor skirt framed transfer house buildings.

ROLLS-ROYCE MOTORS, Crewe, has signed a potentially multi-million pound contract to manufacture castings for the nozzle guide vanes in the RB199 engine which powers the new European multi-role combat aircraft, the Tornado. The contract, which may last up to 15 years, will be worth half a million pounds a year. Rolls-Royce Motors has no connection with Rolls-Royce which is government owned and manufactures gas turbine engines.

GRADWOOD of Stockport, Greater Manchester, has received a contract worth £140,000 for smoke, heat and fume removal powered roof ventilators. The contract has been placed by Lancashire United Transport for powered extractor fans at its bus depots at Atherton and Swinton.

A contract worth about £245,500 has been awarded to VENN BROS. (CORNWALL) of Penzance by the Department of Industry for work on two factories at Long Rock, Penzance. Work has started and the premises should be ready by October.

The Department has also placed a contract worth about £122,300 with J. WIMPENNY AND CO. of Rutherford for work on an advance factory at Spa Mills, Slough, W. Yorks. Work has started and the premises should be ready by October.

FODENS has orders for medium

mobility military vehicles from the Ministry of Defence, and an order for low mobility vehicles from the Royal Air Force. These orders are worth about £5m. The MOD has ordered seven 6 x 6 G.S. recovery vehicles which will be fitted with an EKA D2030 top hamper and Fairley 10-ton front winch; and four 6 x 6 ballasted tractor units fitted with Reynolds Boughton body and 50,000 lbs winch. For the first time Fodens has won a contract with the RAF for 38 low mobility vehicles. These will be 8 x 4 rhd fuel tankers fitted with 22,500 litre Thompson aluminium aviation fuel tanks.

Edinburgh regional computing centre has placed an order with INTERNATIONAL COMPUTERS for a dual 2972 computer system. Valued at £1.6m, the computer system will be installed during the summer vacation and will give a service to Edinburgh University from this autumn.

RESTAIR DENNIS, Guildford, has won a fire appliance contract from Kent for 30 RS water tenders. The orders are worth almost £1.5m.

A contract to supply newspaper bundle underwrapping and cross-strapping equipment to Times Newspapers has been secured by PAKSEAL INDUSTRIES, Maidenshead, Berkshire. The 10 tandem strappers and a similar number of bundle underwrappers, are worth over £250,000.

BARCOCK-BRISTOL, a member of the Babcock Industrial and Electrical Products group—has a contract worth £171,000 for control and associated instrumentation in two coal-fired power stations in the Peoples Republic of China, as part of a programme of conversions from oil to coal firing.

WADKIN MACHINE TOOLS has been awarded a £500,000 order from British Rail Engineering locomotive works at Derby for two TCH1545 heavy duty CNC

travelling table machining centres.

Cameron Iron Works, has awarded a contract worth about £565,000 to BALFOUR BEATTY CONSTRUCTION (SCOTLAND), a member of the BICC Group, for the construction of a new office facility at Livingston, West Lothian.

LEWIS OFFSHORE, Stornoway-based heavy fabrication facility of Fred Olsen, has won a £500,000 contract from Phillips Petroleum for construction of the flare tower and heeldeck for the Maureen field platform.

A £250,000 contract to install wide-span bolt-free adjustable steel shelving at Kay and Co.'s new warehouse in Leeds has been awarded to METALRAX, Birmingham. Metalrux wide-span provides flush surfaces up to 2.7 metres wide without the use of intermittent uprights, and 1,800 bays are to be installed in the new warehouse.

HAWKER SUDLEY WATER ENGINEERING has an order worth nearly £250,000 for the first "Flockton" type potable water treatment plant (0.5 m) to be ordered by Egypt. The pre-fabricated unit in Cairo will accept raw water from the Nile River, purify it and introduce it directly to the distribution network. The plant, with a flow of 300 cu. metres/hr, is a complete unit, incorporating flocculation, flotation, filtration and sterilisation.

BALFOUR BEATTY CONSTRUCTION has been awarded a contract by Tesco Stores valued at £200,000 for the completion of a vegetable packing and supermarket unit at Leigh, Greater Manchester.

Wesleyan and General Assurance Society is to replace its Honeywell 2200 computer with a MICRTEL Level 64/DS4. The society plans to move from purely batch to on-line processing. Valued at £312,000, the system will include a one megabyte central processor, with four 200 megabyte disks, four tape drives, line printer, card reader and 10 visual display terminals.

## Last phase of Redditch shopping centre

The final phase of a shopping centre has begun at Redditch New Town, Worce., at a cost of nearly £2m. Redditch Development Corporation have awarded the contract to BRYANT CONSTRUCTION for the scheme which includes a 50,000 sq ft store for Marks and Spencer and a 45,000 sq ft premises for British Home Stores. The development will become part of the undercover Kingfisher Centre.

Three contracts totalling £1.24m have been won by Trafalgar House company CEMENTATION CONSTRUCTION. The largest order, worth nearly £1m, is for advance roads, culverts and drains for the speculative Yarnside development. The other two contracts are for industrial work at Portlough for the CECB and the construction of a fuel storage area for Esso at Turbushouse Airport, Edinburgh.

HENRY SIMON has been awarded a contract worth £1m to undertake a major reconstruction of the Spillers-French flour mill in Cambridge. The contract is for the design, supply and installation of wheat cleaning, flour milling and process plant.

SERCK CONTROLS, Leamington Spa, has been awarded contracts totalling over £250,000 for technical consultancy and supply of a computer system for the gas authority Gradaka Plinara Zagreb, Yugoslavia. The system will be used for supervision of a high pressure gas distribution network for the City of Zagreb.

National Supply Company (UK) has placed orders worth £750,000 for three numerically controlled vertical boring machines manufactured by SCHIESS-FRORIEP.

NEWELL DUNFORD ENGINEERING, Swinton, has been awarded contracts totalling nearly £750,000. For export to Nigeria, a complete manufac-

ing plant capable of processing the root crop cassava into a food-stuff known as garri; for British Sugar Corporation; four wet dust extraction units for a best pulp pulping plant (this contract was awarded by Crabourne Services), for Norit Clydesdale — Glasgow; a kiln and drying installation to produce activated carbon (this contract was awarded through Crawford and Russell International).

DANIEL INDUSTRIES has a £700,000 order from Phillips Petroleum, for fiscal measurement of crude oil on the Maureen production platform. Metering and proving will be done by two acid mounted pack-

The John Smith division of ADAMSON BUTTERLEY has won a £500,000 contract to provide 14 travelling overhead cranes for the NCB's Selby coal-field project. The contract comprises two identical orders — seven cranes going to Dowsell Engineering Construction for the Stillingfleet mine and seven to fairclough Building for the Riccall mine. At both sites the cranes are of 35 tonne capacity, one 30 tonne, three 10 tonne, and two 5 tonne capacity, will be used for general duties.

AFA-MINERVA (EMI) is installing nearly £500,000-worth of fire protection systems in Berkshire's new headquarters complex at Sharnfield Park, Reading.

A contract worth over £500,000 has been awarded by Warrington Development Corporation to A. STREETER (NORTHERN), Leeds, for a network of foul and surface water sewers to serve the proposed Callands residential area of Warrington New Town. The sewers are on a separate system and will be constructed in open cut single, dual and multiple trench.

An order worth over £500,000 to

install a pallet handling system in the Worthington mill of Thames Board has been received by PATERSON HUGHES ENGINEERING COMPANY, Seveus, Kent, a member of the Capper Neill Group. The system, controlled by a programmable logic controller is designed to handle wooden pallets (loaded with sheets of packaging board) of any size between a minimum width or length of 635mm and a maximum width or length of 1,600mm. Capacity of the system is 50 pallets/hour. Loaded pallet weight is a maximum of one tonne and an average of 0.65 tonne.

THE DECCA NAVIGATOR COMPANY, a member of the Racal Electronics Group, has won a contract worth more than £400,000 for equipment for the air terminals at Porto Santos and Funchal, which are being upgraded with Doppler VOR (VHF Omni Range) systems as part of a complete modernisation plan. The contract, awarded by Aeroportos e Navegacao Area Ep for two civil aviation radio beacons, is the initial phase of a plan to introduce a number of new navigation beacons throughout the Portuguese territories.

Baring Brothers and Company has placed an order worth £250,000, with PVE BUSINESS COMMUNICATIONS of Cambridge, for the supply and installation of an EXX 3000 electronic telephone exchange at the company's head office in Bishopsgate. The low range exchange will have the capacity to handle 50 exchange lines and 490 extensions. The system is scheduled to be operational by July 1981.

A £250,000 contract for air-handling equipment for ICL's new micro-chip factory has been won by BAICO VENTILATION Banbury, Oxon. A total of 101 air handling units will be used at its micro-chip factory in West Gorton, Manchester.

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(Incorporated in the Republic of South Africa)

A Member of the Barlow Rand Group

**APPOINTMENT OF MR. D. T. WATT AS CHAIRMAN**

It was announced on 7th May, 1980 that it had been decided to proceed with the establishment of a processing facility for the purpose of extracting gold from sand dumps belonging to the company's wholly-owned subsidiary, Crown Mines Limited. This project, which is expected to be commissioned in 1982 and to reach full capacity in 1983, will be of major importance to the company, both in terms of the substantial capital expenditure which will be incurred and of its contribution to the company's earnings over the next few years. In addition, evaluation of the potential of the material on the company's remaining properties will be commenced.

The directors of Rand Mines Properties Limited announce the appointment of Mr. D. T. Watt, at present a director of the company, as Chairman of the board. This appointment will take effect immediately. The present Chairman, Mr. G. E. Butlerman, will remain a director of the company.

Mr. D. T. Watt is the head of the gold division of Rand Mines Limited and this appointment will facilitate the establishment of the sands treatment project.

Mr. A. B. Hall will be Joint Managing Director responsible for property operations, while Mr. J. R. Forbes will be appointed Joint Managing Director responsible for the sands treatment project and mining activities generally.

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27th May 1980

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UNITED STATES			
	1978	1979	
	Units	%	Units
General Motors	5,385,262	47.6	4,917,911
Ford	2,582,702	22.8	2,140,368
Chrysler	1,146,258	10.1	949,596
VW of America	22,017	0.2	166,817
American Motors Corporation	170,739	1.5	147,956
Total domestic	9,207,578	82.3	8,322,750
Toyota	441,800	3.9	507,316
Nissan (Datsun)	338,096	3.0	472,252
Honda	274,876	2.4	353,291
VW-Audi	257,165	2.3	167,409
Mazda	75,309	0.7	156,533
Subaru	103,274	0.9	127,871
Other imports	509,980	4.5	535,878
Total imports	2,000,500	17.7	2,321,250
Total domestic and imports	11,208,078		10,644,000

UK			
	1978	1979	
	Units	%	Units
Ford	253,938	15.95	248,350
BL	358,104	22.49	320,238
Vauxhall (GM)	35,803	6.02	91,732
Talbot (PSA)	94,659	5.95	82,072
Others	4,357	0.27	5,779
Total domestic	806,872	50.68	750,371
Ford imports	138,408	8.70	237,009
BL imports	15,689	0.99	16,746
GM imports	58,286	3.67	46,212
PSA imports	81,214	5.10	105,355
Fiat and Lancia	84,250	5.29	79,864
Renault	68,627	4.37	93,468
VW/Audi	63,222	3.97	76,388
Datsun (Nissan)	101,735	6.39	102,395
Total Japanese	174,494	10.96	185,084
Other imports	99,879	6.27	122,878
Total imports	785,069	49.32	965,904
Total domestic and imports	1,591,941		1,716,275

WEST GERMANY			
	1978	1979	
	Units	%	Units
VW/Audi	761,814	29.14	776,744
Opel	514,332	19.70	470,706
Ford	219,279	12.21	277,570
Mercedes	213,550	8.17	234,110
BMW	154,567	5.91	153,930
Porsche	11,368	0.43	12,901
Others	690	0.03	734
Total domestic	1,976,210	75.59	1,925,845
Renault	122,269	4.68	130,106
PSA—Peugeot/Citroen	159,596	6.11	133,421
Fiat/Seat	92,404	3.53	84,256
Japanese	96,771	3.70	147,020
VW/Audi	44,350	1.70	24,109
BMW	16,315	0.62	20,969
GM	7,111	0.27	10,268
Others	98,325	3.80	91,123
Total imports	638,141	24.41	641,272
Total domestic and imports	2,614,351		2,567,117

\* Excludes imports from Belgium.

## A good year for car importers

By KENNETH GOODING, Motor Industry Correspondent

THE WORLD'S major car markets presented a mixed picture in 1979. There were record sales in France, Japan and the UK. But in the U.S., the world's biggest individual market, and West Germany, the largest in Western Europe, registrations fell back from their peaks.

The U.S. market is liable to volatility because it is saturated—nearly everybody who can afford a new car has one. In the wake of the oil supply crisis which followed the revolution in Iran, buyers snapped up smaller cars with lower fuel consumption. But there were not enough of that type being produced in the U.S. and importers could not keep up with the demand. Purchases of new cars were delayed.

So the U.S. market forecast to rise to 11.5m at this time last year, eventually slipped badly to 10.6m. Importers took a record 21.8 per cent of the total and this has risen steeply to reach 27 per cent in the early months of 1980.

The situation in West Germany represented a return to normality in a market which in the previous two years at least had been rather overheated.

Once again it was the bigger cars which bore the brunt of the downturn in demand. The multi-nationals, Ford and Opel (owned by General Motors) felt the impact most; local producers Daimler-Benz (Mercedes) and BMW were protected by their big backlog of orders.

Opel's performance was strengthened during the year by the launch of the new Kadett, the European version of GM's latest "world car." It offers all the right ingredients—front-wheel-drive to give lots of passenger space and good fuel economy.

Ford suffered on the other hand from a shortage of Fiesta (mainly imported from Spain) and because it was widely known that the Escort—never a very popular vehicle in Germany—was soon to be replaced. Ford's new Escort, previously code-named Erika, will not be

launched until October and will not have much chance to make its mark on the 1980 sales figures.

It has been apparent for some time that the Japanese have selected Germany as a prime target. The Japanese penetration of that market rose from 2.5 per cent in 1977 to 3.7 per cent in 1978 and 5.73 per cent last year. In the early months of 1980 the Japanese have captured 7 per cent.

Renault also has a list of target markets and these include Germany and the UK. As a result, Renault increased both unit sales and market share in a declining German market last year. In the UK it did even better, as that market continued to boom.

Volkswagen-Audi kept a firm grip on its home market, increasing its market share to more than 30 per cent. VW-Audi or VAG—the official group title—now has the cars the markets demand and only capacity constraints stopped it from making even further

advances last year.

VAG improved its range in the last two months of 1979 with a three-box version of the Golf, called the Jetta. This "Golf with a boot" should help VAG maintain third place in the West European sales league this year even though its home market is expected to show a decline of 10 per cent or so.

In France, PSA, the Peugeot-Citroen-Talbot group, with a market share of more than 42.5 per cent, and Renault, with nearly 35 per cent, left little room for imports. Even so, VAG increased its market penetration from 3 to more than 4 per cent.

Problems with the Talbot marque in particular affected PSA's performance last year. In France its sales dipped and although it remained No. 1 in Western Europe its market share fell from 17.89 to 16.47 per cent following a volume decline from 1,792,709 to 1,703,074.

Renault retained second place in Western European

sales. Its market share increased from 12.78 to 13.46 per cent and its unit sales improved from 1,279,737 in 1978 to 1,392,019 in 1979.

VAG jumped two places up the Western European league table after building its market share from 11.34 to 11.98 per cent and volume from 1,136,059 to 1,238,978.

This pushed Fiat back one place. The Italian group's market share fell from 12.82 to 11.94 per cent and unit sales from 1,241,006 to 1,235,053.

Ford of Europe also lost ground. Its market share slipped from 12.14 to 11.88 per cent even though unit sales increased from 1,216,137 to 1,228,775. Sixth place in Western European sales again went to General Motors (Opel and Vauxhall) with a market share decrease from 10.08 to 9.31 per cent and unit sales down from 1,010,056 to 962,295.

Total imports in Western European markets went up from 8.19 to 9.59 per cent, with

sales increasing from 820,145 to 981,863. The Japanese accounted for most of the imports. Their market penetration improved from 6.36 to 7.28 per cent.

Apart from losing market share in Western Europe, Fiat also slipped in its home market, taking 50.48 per cent of Italian sales compared with nearly 53 per cent in 1979.

Toyota and Nissan (the Datsun group) continue to outpace their rivals in Japan, but there is some jostling for position further down the ranks.

Last year Daihatsu overtook Subaru (owned by Fuji Heavy Industries) in the Japanese market. Both make four-wheel-drive vehicles among the more conventional types but Daihatsu, closely linked with Toyota which owns 10 per cent of its car manufacturing subsidiary, manufactures smaller cars.

Imports to Japan improved their position only slightly in 1979 and were still well under 2 per cent.

JAPAN			
	1978	1979	
	Units	%	Units
Toyota	1,081,919	37.9	1,142,428
Nissan (Datsun)	834,502	29.2	890,501
Mitsubishi (Coit)	261,345	9.1	280,339
Toyota Kogyo (Mazda)	171,665	6.0	203,152
Honda	171,274	6.0	175,950
Daihatsu	97,725	3.4	99,939
Fuji Heavy Inds. (Subaru)	80,111	2.8	82,198
Suzuki	69,038	2.1	65,542
Isuzu	48,613	1.7	50,474
Total domestic	2,807,192	98.2	2,976,986
Total imports	50,347	1.8	56,463
Total domestic and imports	2,857,539		3,033,449

FRANCE			
	1978	1979	
	Units	%	Units
PSA Peugeot/Citroen	865,814	44.52	840,610
Renault	665,860	34.23	691,544
Others	7,381	0.38	6,267
Total domestic	1,539,055	79.13	1,538,421
Ford	86,256	4.43	79,277
Fiat/Seat	70,742	3.64	71,894
VW Audi	56,764	2.92	79,942
Japanese	35,365	1.82	42,625
General Motors	44,214	2.27	37,969
Talbot (PSA)	1,880	0.09	2,503
Others	110,710	5.70	117,759
Total imports	405,931	20.87	437,969
Total domestic and imports	1,944,986		1,976,390

ITALY			
	1978	1979*	
	Units	%	Units
Fiat/Seat	623,771	52.91	670,329
Alfa Romeo	86,794	7.36	92,359
Innocenti	27,994	2.37	31,518
Others	4,083	0.35	4,600
Total domestic	742,632	62.99	798,806
Renault	95,859	8.13	130,241
PSA	184,754	11.43	160,961
Ford	65,342	5.59	66,193
GM	49,515	4.23	49,516
VW/Audi	43,914	3.72	68,153
Fiat/Seat imports	3,004	0.25	3,400
Other imports	46,594	3.96	50,730
Total imports	436,382	37.01	529,194
Total domestic and imports	1,179,014		1,328,000

\* Estimated.

## Sierra Leone gears up for OAU summit

BY MARK WEBSTER, RECENTLY IN FREETOWN

THERE IS frantic activity in Sierra Leone's usually languid capital, Freetown. Roads are being resurfaced, drains dug and lamp posts erected at a pace unfamiliar in the humid coastal city. But a great deal has still to be done before the rains set in if Sierra Leone is to be ready to host the 17th Organisation of African Unity summit meeting which begins with a ministerial conference on June 16.

It will be a personal triumph for President Siaka Stevens when he takes over the chairmanship of the OAU. Since he came back to power in 1968 he has become one of the old men of African diplomacy and has pushed his country's role on the international stage. But his enthusiasm for the event is not shared by everyone.

The main reason for discontent is that expenditure on the OAU meeting, officially put at 123m Leones (\$51m), has placed a considerable additional strain on an economy already creaking with mismanagement, corruption and the soaring price of imported fuel. A 31 per cent rise in petrol prices recently provoked demonstrations.

The rickety state of the country's finances combined with rumours that the President may step down after his year as OAU chairman have heightened the dissatisfaction. Moreover, recent events in neighbouring Liberia, where President William Tolbert was overthrown during his chairmanship of the Organisation, have obviously caused a flutter in Sierra Leone.

To cover some of the cost of the summit the Government has slashed the development budget and to ease the desperately tight foreign exchange position no import licences were issued between the beginning of the year and mid-May. However, to guarantee supplies Leones 49m-worth of import licences issued last year had their validity extended and the Ministry of Finance says licences will now be issued again in time for the OAU meeting.

In fairness to the Government, it has tried to limit the costs of the summit by rejecting such extravagant proposals as a hovercraft service from the airport to the town centre. It has also tried to cut incidental expenditure by improving accommodation in university

halls of residence to house some of the anticipated 4,000 guests, instead of hiring two luxury liners as Liberia did last year.

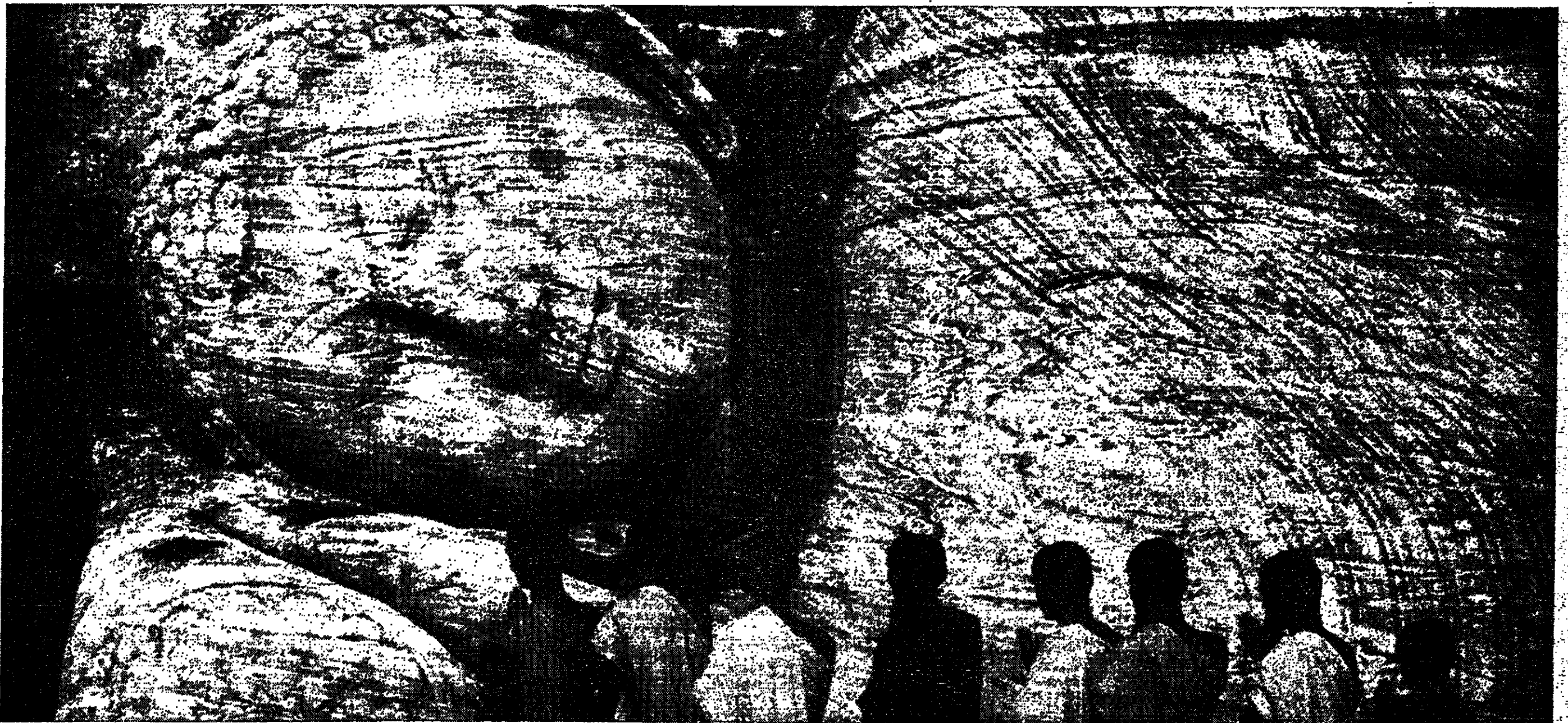
But the Finance Ministry does not deny that the OAU has completely upset development priorities which were supposed to concentrate on agriculture. Nor does it contest the fact that Sierra Leone's economy was already in a critical condition with falling production of its major export earner—diamonds—and the rising bill for oil which swallows one-third of total foreign exchange earnings.

Despite the cutbacks in Government spending, the latest revision of the budgetary deficit for the current financial year shows a resource gap of some Leones 120m. Economists say that figure may have to be revised again by the end of the financial year. In June, as will be the estimated overall balance of payments deficit of Leones 45m.

The uncertainty over what the final bill for the OAU will be has forced foreign-aid donors and creditor nations to wait until the summit is over before making decisions. The same is true of the International Monetary Fund, which reached agreement with the Government in October 1979 for SDR 17m standby credit with the usual conditions of cutting budgetary and balance of payments deficits, slowing the growth of credit and money supply but not, as it has in the past, insisting on devaluation.

Controls on Government spending were the quickest way to contain money supply growth since it had been the main expansionary factor in the past. Government credit from the banking system, mostly from the Central Bank, grew over 40 per cent between June 1978 and March 1979, but has since slowed somewhat.

One hopeful sign is that with the IMF agreement signed, Sierra Leone was able to reschedule some Leones 27.5m of its total external debt, which now stands at Leones 350-400m. The Ministry of Finance says it will ask the Paris Club of international creditor nations to look again at the spread of the country's debt after the OAU meeting with a view to establishing a realistic repayment schedule over the next three or four years.



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# Sterling firm

Sterling continued to improve in currency markets yesterday, with business fairly heavy on the first day after the long weekend. There were no new factors, and demand for sterling reflected the high level of interest rates in London, and the increasing benefits of North Sea oil. Against the dollar it was at its best level since March 1979, closing at \$2.3700-2.3710, a rise of 2.55c from Friday, but slightly down from levels seen in Far Eastern markets. It opened at \$2.3525 and dipped briefly to \$2.3555 before coming back to its best level of \$2.3600. It reached a best level of \$2.3785, but traded between \$2.37 and \$2.3750 for much of the afternoon. The pound was also firmer against European currencies, rising to DM 1.775 from DM 1.7725 and FF 9.7425 against FF 9.7250.

On Bank of England figures, the pound's trade weighted index finished at a new five year high of 74.7 compared with 74.3 on Friday. It was higher at the noon calculation at 74.9, up from 74.6 in the morning.

The dollar attracted central bank support as U.S. interest rates continued to decline. Prime rates moved closer into line with Euro-dollar rates, with some major banks cutting their prime rates to 14 per cent. The U.S. unit was slightly above the day's lows but was well down from closing rates on Friday. Against the DM it fell to DM 1.7615 from DM 1.7685 and the Swiss franc to Sfr 1.6570 from Sfr 1.6580. The Japanese yen was also firmer with the dollar slipping to ¥218.20 from ¥221.25. On Bank of England figures, the dollar's trade weighted index fell from 84.1 to 83.4.

D-MARK — Showing renewed strength against the dollar and steady within the European Monetary System, following

former rates in Frankfurt and lower U.S. interest rates — The Bundesbank bought \$300m at yesterday's fixing in Frankfurt, when the dollar was fixed lower at DM 1.7682 compared with DM 1.7830 on Friday. A continued fall in U.S. interest rates was responsible for the continued switch of funds into sterling and the Dollar, and some dealers suggested that the dollar may well fall further before stabilising. Elsewhere sterling rose to DM 1.1970 from 4.1660 and the Swiss franc was higher at Sfr 1.0770 compared with DM 1.0750.

**BELGIAN FRANC** — No longer weakest member of the EMS, being helped by record interest rates earlier this year. Tending to ease back a little, following a gentle easing in interest rates. The Belgian franc was generally weaker at yesterday's fixing in Brussels, with sterling higher at Bfr 67.385 compared with Bfr 66.71 and the DM rising to Bfr 16.041 from DM 16.0235. On the other hand the dollar fell to Bfr 28.3575 from Bfr 28.5662, and the French franc eased to Bfr 6.874 compared with Bfr 6.875.

**JAPANESE YEN** — Energy and balance of payments problems reflected in sharp decline last year. Although the situation over oil supplies remains uncertain, the yen recovered. The dollar recovered against the yen in Tokyo yesterday to close at ¥220.90 compared with ¥218.25 previously. There did appear to be any significant intervention by the Bank of Japan, with dealers suggesting that the dollar's rise was probably a technical reaction to its recent fall. Commercial demand for the U.S. unit was quite heavy with selling pressure failing to materialise later in the day.

## EMS EUROPEAN CURRENCY UNIT RATES

ECU central rates	Currency amount	% change against ECU May 27	% change central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	39.7897	40.4027	+1.54	+0.52	+1.53
Dutch Guilder	7.2336	7.24751	+1.61	+0.59	+1.54
French Franc	6.54788	6.55015	+1.53	+0.51	+1.25
German DM	5.47835	5.47835	+0.48	+0.36	+0.36
Irish Punt	2.74382	2.74729	+0.26	+0.16	+0.12
Italian Lira	0.68201	0.67925	+1.21	+0.25	+1.88
Spanish Ptas	165.7	165.7	+1.71	+0.25	+1.88
Swedish Kr.	13.76	13.76	+1.71	+0.25	+1.88

Changes are for ECU, therefore positive change shows a weak currency. Adjustment calculated by Financial Times.

## EXCHANGE CROSS RATES

May 27	Pound Sterling	U.S. Dollar	Deutsche Mark	Japanese Yen	French Franc	Swiss Franc	Dutch Guilder	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.0000	2.371	4.178	519.5	9.743	5.853	4.593	1959	2.746	67.05
U.S. Dollar	0.421	1.0000	1.768	819.3	4.110	1.638	1.937	830.4	1.168	28.89
Deutsche Mark	0.239	0.567	1.0000	124.4	2.333	0.989	1.099	471.3	0.657	16.05
Japanese Yen	1.925	4.565	8.041	100.0	16.75	7.474	8.840	378.8	6.585	129.1
French Franc	0.106	2.433	4.988	535.3	1.0	3.985	4.714	203.1	2.818	68.82
Swiss Franc	0.856	0.611	1.076	135.8	2.508	1.1	1.188	507.0	0.707	17.27
Dutch Guilder	0.818	0.516	0.910	115.1	2.121	0.945	1.1	488.6	0.598	14.60
Italian Lira	0.806	1.204	2.122	265.9	4.949	1.972	2.333	1000.	1.395	34.60
Canada Dollar	0.564	0.963	1.532	189.3	3.549	1.414	1.673	717.0	1.1	24.42
Belgian Franc	1.491	3.535	6.320	774.8	14.55	6.790	6.849	2936.	4.095	100.

## EURO-CURRENCY INTEREST RATES

The following nominal rates were quoted for London dollar certificates of deposit: one-month 8.55-8.75 per cent; three-months 8.80-8.90 per cent; six months 8.90-9.00 per cent; one year 9.05-9.25 per cent.

May 28	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Asian \$	Japanese Yen
Three months	17 1/2-17 3/4	8 1/2-8 3/4	15-17	11 1/2-11 3/4	11 1/2-11 3/4	9 1/2-9 3/4	12 1/2-12 3/4	20-20 1/2	8 1/2-8 3/4	11 1/2-11 3/4
Six months	17 1/2-17 3/4	8 1/2-8 3/4	15-17	11 1/2-11 3/4	11 1/2-11 3/4	9 1/2-9 3/4	12 1/2-12 3/4	20-20 1/2	8 1/2-8 3/4	11 1/2-11 3/4
One year	17 1/2-17 3/4	8 1/2-8 3/4	15-17	11 1/2-11 3/4	11 1/2-11 3/4	9 1/2-9 3/4	12 1/2-12 3/4	20-20 1/2	8 1/2-8 3/4	11 1/2-11 3/4

Long-term Eurodollar two years 10 1/2-10 3/4 per cent; three years 10 1/2-10 3/4 per cent; four years 10 1/2-10 3/4 per cent; five years 10 1/2-10 3/4 per cent; nominal closing rates. Short-term rates are call for sterling, U.S. dollars, Canadian dollars and Japanese yen; others two days' notice. Asian rates are closing rates in Singapore.

## INTERNATIONAL MONEY MARKET

### European rates steady

European interest rates showed little overall change yesterday after the long weekend. Rates in Frankfurt barely moved, but eased slightly in places. Call money was quoted at 9.50 per cent, unchanged from Friday, with six-month money slightly easier at 9.90 per cent compared with 9.95 per cent previously.

In Paris call money continued to ease, falling to 12 1/2 per cent compared with 12 1/2 per cent on

## GOLD Slight rise

Trading in gold was restricted to a very tight band in the London bullion market yesterday, with a closing level of \$512.515, just \$1 an ounce higher than Friday's close. Despite the small spread seen during the day, trading was quite active, and from an opening level of

May 27	Gold Bullion (fine ounce)	May 28
Closing	\$512.515	\$512.515
Opening	\$512.515	\$512.515
Morning fixing	\$512.515	\$512.515
Afternoon fixing	\$512.515	\$512.515

and a small number of local authority bills direct from the houses. The help was completed with small loans to 3 or 4 houses at M.L.R. for repayment today. The market was faced with the repayment of Friday's small official loans and there was a small net take up of Treasury bills to finance. In addition banks brought forward balances a small way below target. There were no appreciable factors in the market's favour. Discount houses were paying

May 27	Sterling	Local Authority	Finance	Discount	Eligible	Fine
Over night	15 1/2-18	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4
3 days notice	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4
7 days notice	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4
14 days notice	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4
One month	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4
Three months	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4
Six months	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4
One year	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4
Two years	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4

## UK MONEY MARKET Moderate help

Bank of England Minimum Lending Rate 17 per cent (since November 15, 1979). Day to day was in short supply in the London money market yesterday, and the authorities gave assistance on a moderate scale. This comprised moderate purchases of Treasury bills both from banks and discount houses.

## LONDON MONEY RATES

May 27	Sterling	Local Authority	Finance	Discount	Eligible	Fine
Over night	15 1/2-18	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4
3 days notice	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4
7 days notice	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4
14 days notice	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4
One month	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4
Three months	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4
Six months	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4
One year	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4
Two years	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4

## MONEY RATES

NEW YORK	14-15 1/2
3 days notice	15-15 1/2
7 days notice	15-15 1/2
14 days notice	15-15 1/2
One month	15-15 1/2
Three months	15-15 1/2
Six months	15-15 1/2
One year	15-15 1/2
Two years	15-15 1/2

## FRANCE

Discount Rate	5.5
Overnight Rate	12.75
One month	12.5
Three months	12.5
Six months	12.5
One year	12.5
Two years	12.5

## JAPAN

Discount Rate	2.0
Call (Unconditional)	12.75
Bills (Three-month)	12.75

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Dividend No. 142 of One Rand (R1.00) per share in respect of the six months ending 31st March 1980 has been declared payable to the holders of the 40 per cent cumulative preference shares registered in the books of the Company at the close of business on 27th June 1980. The dividend is payable in cash and is subject to the payment of the 40 per cent cumulative preference shares in full. The dividend is payable to the holders of the 40 per cent cumulative preference shares registered in the books of the Company at the close of business on 27th June 1980. The dividend is payable in cash and is subject to the payment of the 40 per cent cumulative preference shares in full. The dividend is payable to the holders of the 40 per cent cumulative preference shares registered in the books of the Company at the close of business on 27th June 1980. The dividend is payable in cash and is subject to the payment of the 40 per cent cumulative preference shares in full. 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# FINANCIAL TIMES SURVEY

Wednesday May 28 1980

## Calculators

After a surge of development in the calculator market in the 1970s, sales have now levelled off and prices of calculators—especially the more sophisticated ranges—are still falling. In the next decade, this highly-competitive industry can look forward to a steady replacement market, with little of the turmoil of former years.

### Market reaches age of maturity

By Elaine Williams

THE PASSING of the 1970s has left a trail of destruction as far as the calculator industry is concerned. It was a time when many companies entered the rapidly growing market in the hope that there was a quick fortune to be made. Today, many manufacturers are sadder, but wiser, and have survived to relate how they were nearly destroyed by the fierce competition. Some, like their calculators, are no more.

Now the market for calculators, especially the pocket models, is fairly static with growth in a few selected areas—such as office equipment and professional scientific sectors—which are not subject to the vagaries of the consumer.

But in the early 1970s, it was the potential of the domestic market that attracted a large number of companies in a variety of industries to compete. What made competition possible was the development of the integrated circuit—more popularly known as the silicon chip—during the 1960s. This enabled the assembly of a calculator to be simplified. With

many individually transistors crammed into a single piece of silicon a few millimetres square, the cost of assembly and the size of the actual calculator was reduced.

This type of calculator replaced the chunky mechanical adding machines and the early forms of electronic calculators made out of discrete transistors which had to be assembled expensively by hand.

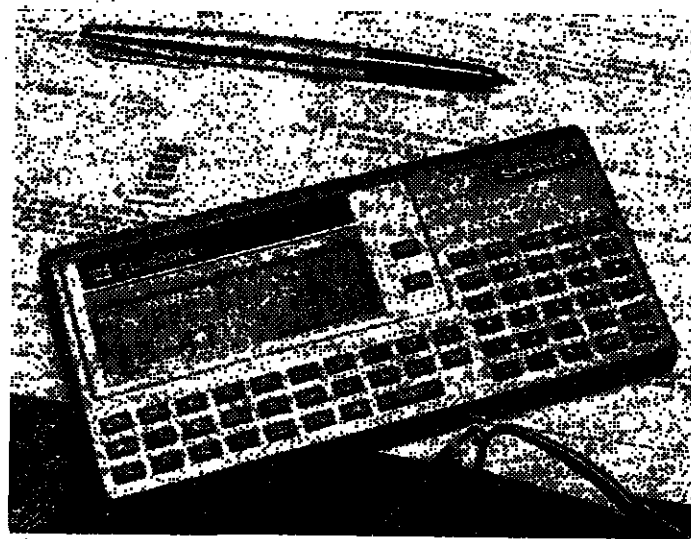
Commodore, a company of Canadian origins but now based in the U.S. was the first to sell a calculator with an integrated circuit and this company still is one of the prominent companies in the market which is now dominated by Japanese organisations.

At the time, semiconductor companies which make the silicon chips such as Texas Instruments, National Semiconductor and AMI decided that instead of just supplying the chips they would also like to sell the end product.

They were attracted because it was obvious that calculator manufacturers were earning more money than the silicon chip makers whose circuits were the heart of the calculators. While it was the chip which made the whole system possible, the process of assembling it into a complete circuit with a keyboard, battery and display was quite expensive.

Selling prices were high. In 1971, for example, models cost about £150 each and the world market for electronic calculators was estimated to be small, at around 2.5m units. Japan dominated the industry with about 80 per cent of the total manufactured in that country.

By 1972, calculators in Britain cost a mere £50 or so. The UK market for calculators was slow



to take off because Britain did not adopt decimal currency until 1971 and few people thought it worthwhile to buy calculators which could not handle the idiosyncratic currency then in use.

Machines were fairly basic with the four arithmetic functions of addition, subtraction, multiplication and division. However, these were useful for most people's purposes and were much faster than the old mechanical machines.

**Mark of status**

Developments in calculator design by such companies as Hewlett-Packard quickly produced new models capable of working out square roots, logarithms and trigonometric functions. Others followed with similar designs. New designs appeared with memories capable

of storing numbers between calculations. The physical size of models was reduced, along with the price.

For a short time, the calculators were a mark of status. But this was short-lived. Prices fell rapidly and, within a few years, calculators were a common item in handbags and briefcases. In 1973, for example, world production stood at about 25m, with Japanese makers accounting for about 40 per cent of the total.

Three years earlier, Japan made 1.5m units valued together at about \$480m, but in 1973 its production of 10m was less—only \$400m. This was the main reason behind the failure of many calculator companies. They were faced with the cost of production reducing at volume of production increased. Assembly costs were reduced as silicon chips became more



Versatile calculators for businessmen: (left) the Sharp 10-digit calculator (EL-6200E) with a four-key memory, a clock, perpetual calendar and a memo pad, plus an alarm. Right: Toshiba's new credit card-sized calculator with four-key memory, watch, calendar, alarm and stop-watch functions (model LC-854WA).

complex. A large number of companies were entering the business, but the monetary value of the market, which governed profit expectations, stayed constant.

The only way to survive was to gain an ever-larger share of the available market. A fierce fight ensued in which only the strongest companies, with the largest output and lowest prices, could win. Several of the U.S. semiconductor companies withdrew from the market because they recognised that the consumer market for calculators was so different from their normal environment that they returned to the business of making components and selling them to end users. Others went out of business or were taken over.

A few companies, notably Texas Instruments and Hewlett Packard, were successful

because both specialised to some degree. Texas Instruments, which is among the leaders today, has, for example, concentrated in recent years in developing calculators which are more complex than the simple four-function types. They are made in smaller quantities and sold at higher prices to selected markets. Hewlett-Packard adopted this strategy to an even higher degree and makes calculators which are sometimes indistinguishable from small computers.

In 1975, demand for calculators reached its peak with about 50m units produced worldwide—a figure around which production has hovered ever since.

Companies have still had to continue to develop their products—because it is the best way of stimulating sales. The

price for a basic four-function battery calculator reached the lowest price of about £5, but the extra amount needed to buy a better machine is small.

The main battle for companies is to keep a competitive edge to maintain or improve market share. The companies which survive are usually large concerns with interests in other areas. Examples of such companies include Olympia International, which makes office equipment; Casio; Canon; Sharp; Toshiba; in Japan, Facit Addo; Triumph-Adler (OEM group); and Esselte Dymo, which sells the Citizen brand.

Much of the developments which include new types of display, prolonging battery life, speaking calculators and extra mathematical functions. They hope to create unique products which can find that niche in a special sector the market.

**Encouraged**

The burgeoning office equipment market is also one of the few encouraging sectors for the calculator maker. The trend in this sector is that word processors are often required to carry out calculator functions and, with the availability of low cost computers, businessmen are now able to easily use equipment which is fairly sophisticated.

Office users are tending now to be more selective in their choice of office machines. Instead of buying a model equipped with every conceivable "bell and whistle," customers are more fully considering their specific needs and therefore look for a calculator to meet that requirement. Olympia and Esselte Dymo are just two of the

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companies which now produce an extremely wide range of office calculators to cater for this comprehensive and complex market.

The pattern of distribution has also begun to swing back in favour of the professional dealer, following the collapse of the volume calculator market in 1978. Dealers now concentrate on the more expensive desk-top models. The lower price pocket and hand-held models are still distributed through the major high street multiples.

Despite the turmoil of the 1970s, the prices of calculators, especially the more sophisticated ranges, are still falling, though at a much slower rate than before. It appears that the calculator has almost reached the stage where it is considered "a disposable item."

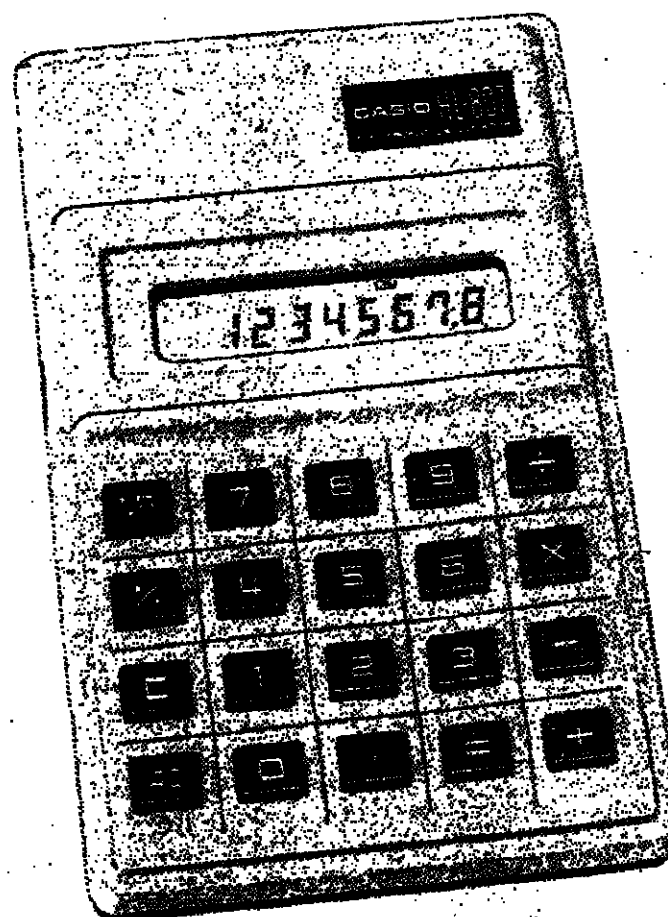
The 1980s are not likely to prove the most dynamic for the calculator industry now that sales have levelled off. The calculator industry has reached the age of maturity and, during the 1980s, can look forward to a steady replacement market with little of the turmoil of former years.

## WHAT WILL THEY THINK OF NEXT?

Amazingly, Casio are only twenty-four years old. In that time, throughout the world, they have come to dominate the calculator market; and they have done so through three things: They are always innovative, always reliable, and always remarkable value for money. Here are just a few steps along the way. Examples which show how, and why, Casio leads the field.

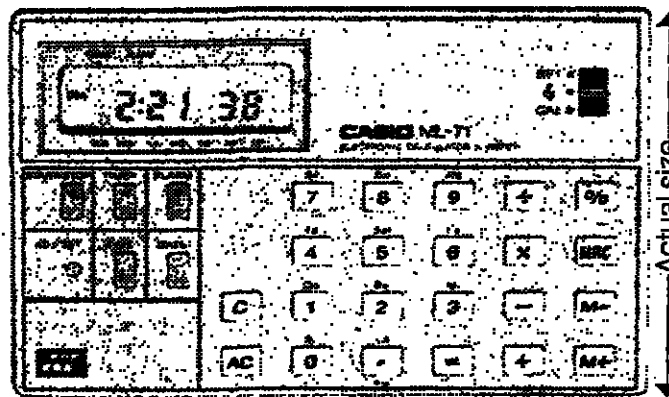
### So much for so little

Eight years ago, no-one would have believed so many functions could be contained in so small a calculator. And certainly no-one would ever have believed it could all be done for the cost of just a few pence. Now even a schoolboy can afford one of these by saving just a little pocket-money. Casio have revolutionised his life—and many other people's too—from shop-keepers to scientists.



### Credit card calculators that play your tune

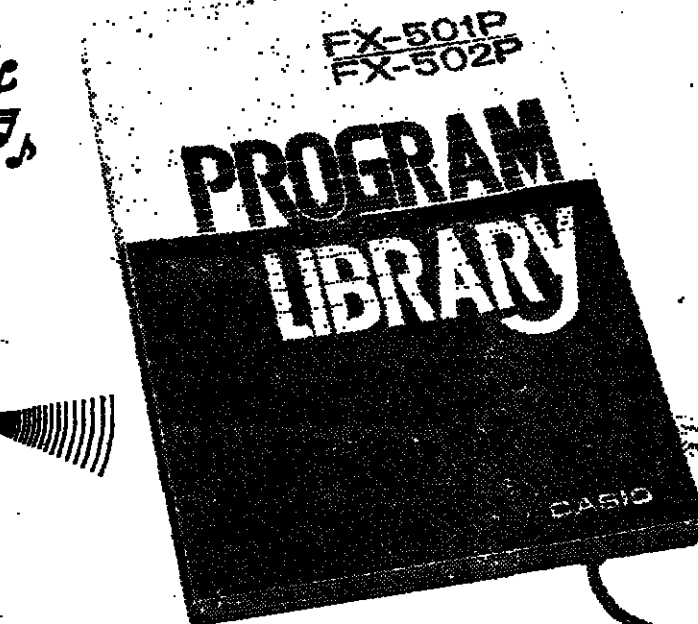
One of the most popular developments that Casio has achieved is to add music to mathematics. And, astonishingly, even some of our classic credit-card size calculators play your tune as well. It's hard to believe that such a slim piece of engineering can



do so much. For in addition to a multitude of numerical calculations, preset tunes play as an alarm function—or, alternatively, each key will produce a different tone. So the (usually) busy executive can have a little light relief during the day—the most acceptable example of an executive toy that genuinely works for its living. These calculators are no thicker than an after-dinner mint. And don't cost a mint either.

### The time machine

It was bound to come, and it was bound to come from Casio. The calculator on the wrist that's also a timepiece, a stopwatch, and a calendar. Casio's remarkable Finger Touch System electronically selects the intended key, over-riding any overlap the finger makes. This revolutionary digital calculator watch puts more information and more resource on your wrist than could be imagined even a few months ago. And once again, at a price (well below £30) that's astonishing in itself.



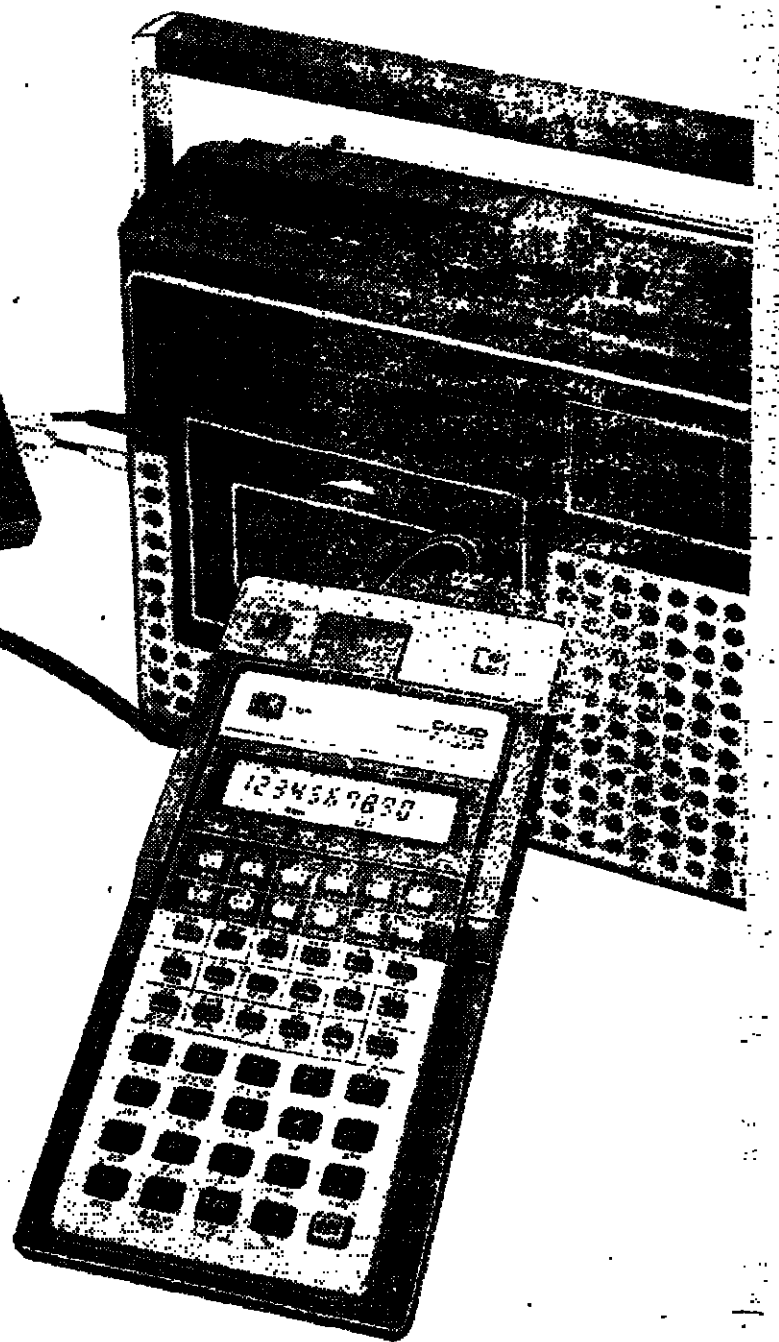
### Scientific lead

However much Casio cater for the popular market, they concentrate just as hard on the scientific area. Perhaps the most significant calculator in this field from Casio uses an ordinary cassette recorder to store information. With 48 essential scientific functions, and complete with 256 steps, 22 memories, 10 levels of parenthesis and numerous other complex functions, the programmable FX-502P with easy programme storage/retrieval function is, as ever with Casio, a step ahead of the field.

### Coming shortly

Whatever it is, it's only a month or so away. Casio's huge research and development unit is permanently at work seeing into—and producing—the future. At every step, the world has been astonished at what Casio have come up with. Whatever they're thinking of next, it will conform to the Casio aim: to produce goods which are innovative, reliable, value for money.

?



# CASIO

The world's best-selling calculators.







# Evidence of advantages as teaching aids

But calculators have meant far more than just an easy aid to computation. They have given the teacher the opportunity to emphasise higher

Wherever evidence has been collected from the classroom, teachers have reported a marked improvement in children's attitudes towards mathematics. Some have even been overwhelmed by their enthusiasm. In a joint Leicestershire LEA, Nottingham University project, teachers were quoted as saying: "It is likely to encourage more mental arithmetic — something which seems to be sadly lacking these days." Another teacher reports that with

**This learning aid from Texas Instruments for five-year-olds and upwards is made with 16,000 pre-programmed problems**

As far as which of the many models on the market are the most suitable for use in schools, here are a few personal guidelines:

- Ensure that the model uses

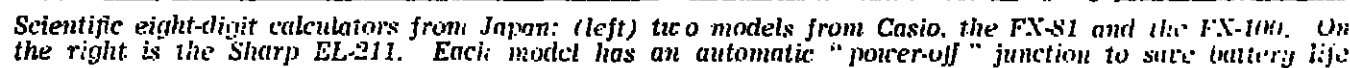
Attitudes throughout the field of education are gradually adapting to the ever-changing situation, but one primary school teacher involved in the Leicestershire project seems to have caught the present mood with the comment that "one of the biggest changes, as far as I

**FOR FURTHER  
INFORMATION**

2—A review of some of the new classroom texts and developments: "Calculators: News, Views, Reviews," *Mathematics Teaching* No. 88, September, 1979. The Association of Teachers of Mathematics, Market Street Chambers, Nelson, Lancashire, BB9 7LN.

3—Self tutoring for beginners: "Discover how to use your electronic calculator." *SMP Calculator Series*. Cambridge University Press, 55p.

**Christopher Redman**  
The writer is Senior Teacher-Adviser in Secondary Mathematics to Kent Education Authority.



**The T1-20 slimline scientific student calculator meeting requirements for 'O' and 'A' level studies**

Among new calculators being introduced by Texas Instruments is a scientific calculator for students with slide rule and statistical functions, constant memory feature and liquid crystal display (LCD). The Slimline TI-35 has 54

The existing machine already has a 240-word vocabulary. Texas Instruments are now introducing a plug-in word module which adds a further 140 words.

"Speak and Spell" talks to children, asks them to spell, gives them two attempts, praises correct answers and gives them a score after 10 words. The new plug-in word memory, called "Vowel Power" works in exactly the same way but concentrates on words with difficult vowel sounds.

It knows the world of finance.  
Intimately.



A quick glance at the keyboard of an HP-37E, HP-38E/C or HP-92 calculator tells you that it's built to solve concrete business and financial problems—easily. So easily, in fact, you can state most financial problems in a simple, intuitive manner. There's no need to memorize handbook instructions.

Professional enough to quickly solve compound interest problems, perform discounted cash flow analysis and reduce the data required for statistical analysis and prediction. Professional enough to calculate amortization schedules for any number of time periods. Or to instantly calculate the selling price of an item if you know the cost and margin. All at the touch of a key.

The programmable models provide exceptional flexibility and power for lengthy, repetitive calculations.

**The Hewlett-Packard financial calculator. It's almost as powerful as a computer. Only it's easy to use and you are the one in control.**

● HP-92 (with built-in printer) and HP-37E are preprogrammed financial models. HP-38C (with continuous memory) and HP-38E are fully programmable.

● HP-97 (with built-in printer) and HP-67, the most powerful and flexible models, are also fully programmable with software packs formulated to financial or business needs.

**No hidden extras**

All of these financial calculators come complete with a rechargeable battery pack and mains adaptor. But we don't stop there. You'll receive a full set of practical manuals explaining how to get the most from your particular model. The zip-up case comes free, and two thermal paper rolls are supplied with printing machines. And beyond the standard package, there's a range of Optional Accessories from reserve power packs to valuable application books so that you really safeguard your financial investment!



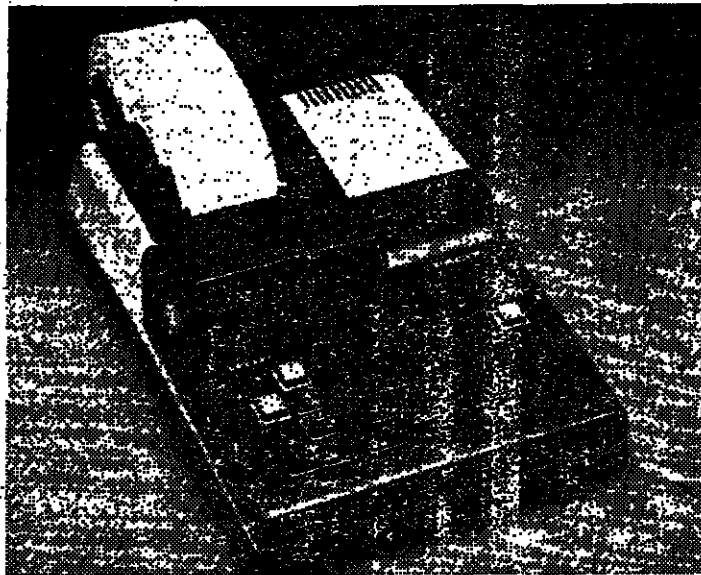
**HEWLETT  
PACKARD**

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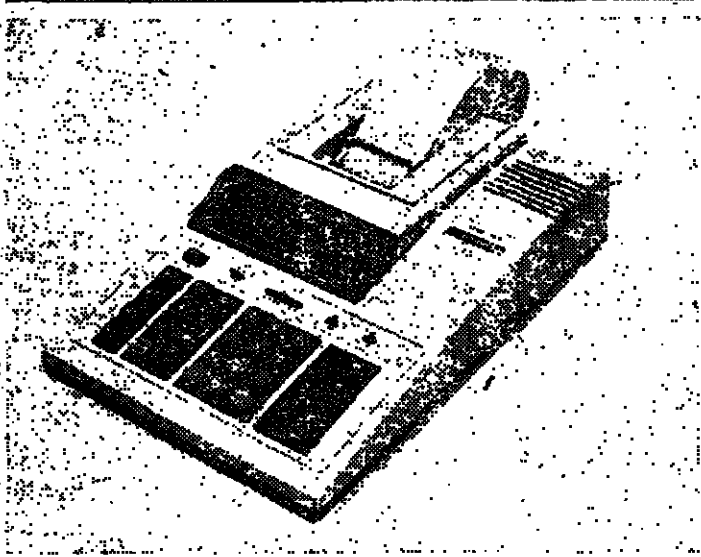


## CALCULATORS IV

## New enticements to overcome a static market



More than £5,000 a year is being saved by elimination of errors in tabulating orders by using a Monroe 2880 microprocessor-based programmable calculator (above) at a Manchester food and meat-product company. The Monroe 2880 is said to have resulted in "enormous time-savings" in tabulating nightly orders for thousands of products



Centre: The Facit 2252 10-digit, print-and-display calculator which sells for £102. It is one of a range of seven desk-top models which vary in capacity from 10-digit, print-only machines to 14-digit, print-and-display with two independently addressable memories. Facit is one of the longest-established calculator and adding machine manufacturers and is now part of the Swedish Electrolux group

Below: One of Toshiba's growing range of desk-top calculators — the BC-1275-PV — with high-speed printer

WITH A static market for calculators, manufacturers have to try and entice consumers to buy. Each year they are offering new types of calculators which are little more expensive than those offered the year before but which incorporate features such as a clock or alarm—which customers may think they need.

One of the basic developments which have taken place over the past few years has been the extension of battery life. This has been partly achieved by the new types of battery used, but mainly due to the type of display now built into the calculator.

Nearly all pocket-type calculators now incorporate the liquid crystal display—usually called LCDs—but, not so long ago, most manufacturers had opted for the light-emitting diode, usually abbreviated to LED. This is a small semiconductor device, made of chemicals such as gallium arsenide or gallium phosphide which have the unusual property of glowing when connected to a voltage. LEDs, which are made of a combination of the two chemicals, will glow a deep red. Other colours, such as yellow and green, can be made by using different materials.

The LED was first made experimentally in Britain in 1960 but was developed commercially by U.S. electronics companies. Because LEDs can be made very small, they became popular for pocket calculators. Current consumption of LEDs was reasonably low, although they tend not to glow very brightly, in direct sunlight, the display is "washed out" completely.

In the late 1970s, LCDs became a popular alternative to the LED. Liquid crystals are a range of complex organic materials whose molecules re-arrange themselves when a voltage is applied.

According to the orientation of the molecules, light either passes through them without change and the material is transparent—or it is absorbed or reflected and the material appears dark. The liquid is sandwiched between two pieces of glass, into which cells are

etched. Each cell, containing the liquid crystal, is connected to electronic control circuitry so that the chemical can be made opaque or transparent, at will.

Cells can be etched to form the shape for a calculator display or any other shape, simple or complex. An advantage of LCDs is that they are operated at very low voltages, typically around 2V—which is ideal for small battery powered equipment. Also they consume almost no energy at all, so battery life can be several thousand hours compared with hundreds if LEDs are used.

Mains-powered calculators, which find applications mainly in the office, may use more "energy hungry" forms of display, although such machines are also moving towards the use of liquid crystals.

## Solar power

For hand-held machines, prolonging battery life is important, especially as some types of battery, such as those using silver oxide, are becoming expensive which is a deterrent to buying a calculator. So, manufacturers are now introducing solar powered calculators.

Since LCDs consume little energy (as does the electronics circuits to carry out the calculations) solar power may provide an excellent alternative to conventional batteries. Most are being designed to provide power at relatively low light-levels, which means that even in the unpredictable British climate such calculators can be used and under normal office light conditions.

Initially, solar-powered four-function calculators will cost around £20, although some manufacturers say that, by Christmas, the cost will be reduced to around £12.

In addition to solar-powered calculators to prolong the life of a machine, companies have also been working on the use of lithium batteries. Instead of a 1,000 hours of use with a silver oxide battery using LCD display, the lithium battery can last up to 8,000 hours—which means about 10 years of use, without a battery change.

Olympia last month introduced three pocket calculators which used lithium batteries—the LCD 90, 380 and 480—the latter of which is a small-format calculator. Olympia's models have no means of changing the batteries, since the company believe that the user will have tired of the calculator long before the battery runs out.

The calculator market is divided into various categories: first, there are the cheaper and simple pocket-sized items for the domestic market. Then, there are the programmable calculators for scientific and professional applications. And thirdly, there are the printer and desk-top models for the office.

In the domestic market, manufacturers have tended to try and make calculators wafer-thin, so that they easily fit into a jacket pocket or even a wallet, without producing any discernible bulge in a suit—so appealing to the vanity of mankind.

But in order to broaden the market for general purpose calculators, the addition of

clocks and alarms has been common. Furthermore, models which are not strictly calculators but which fit into the category—such as language translators and educational machines—have also generated new markets.

## Language module

Examples of such machines include hand-held (if not exactly pocket-sized) units which can translate simple phrases and words into various languages depending on the special plugged-in "language module."

These machines cost more than £100 and are aimed at the businessman who needs to travel widely abroad, but who has never been able to master a foreign language.

As the development of micro-electronics continues, it will be possible to store more comprehensive lists of useful phrases. The early models were only able to translate a very limited list of about 100 words and few phrases. But in the relatively short time they have been around, improvements have been made, although it will still be several years before we can abandon the need to learn languages altogether and rely totally on such machines—indeed, if that is ever likely to be a desirable thing to do.

In the educational field we have seen the development of talking calculators which help children to spell and some models counting and simple arithmetic. Again the range of calculators in the educational field is continually improving.

allowing greater variety in the way in which children can learn.

Companies such as Hewlett Packard and Texas Instruments also concentrate on the professional, scientific areas, with programmable calculators which are often little discernible from small computers. This market—unlike the consumer one—is more stable and there is more opportunity for growth. Users can buy individual programs which can be plugged in, alternatively, they can write their own programs.

It is now becoming common for even small machines to have a printer mechanism attached—and companies see this as important in the office environment, where evidence of a calculation is often required.

Manufacturers believe that this sector still has some growth potential. It is possible for offices to have more than one of these reasonably cheap machines. Instead of only one, shared between several staff. At one time it was common, and in some cases still is, for an office to buy one large desk-sized machine and staff had to share out its use, equally. Smaller and cheaper models have allowed the opportunity to buy more machines, at the same price.

The days of rapid innovation in the calculator industry appear to be over. Instead it is likely that companies will concentrate on a gradual improvement in products, especially in the commercial market to encourage customer loyalty.

Elaine Williams

## Remorseless pressure for increased innovation

THE RAPID growth of the calculator market in Britain over the past decade has undoubtedly been helped by the ease with which calculators have switched from being an essential office tool to almost an "impulse buy" from the local supermarket.

When electronic calculators first came on to the market they were unambiguously aimed at the office user and sold through traditional office equipment dealers.

Brand names of even the largest manufacturers of calculators were not widely known and the major companies had to spend heavily to make the business public aware of their products.

But as prices have fallen steadily during the decade—as a result of new technology and production methods—so the possibilities of consumer marketing became more apparent. The office equipment market was made to look more of a sideline once the mass appeal to consumers got underway.

Consumers in the early days of the boom appeared not to be so discerning as office managers about quality or the manufacturers' reputation, but were more interested in buying the newest model at the lowest prices.

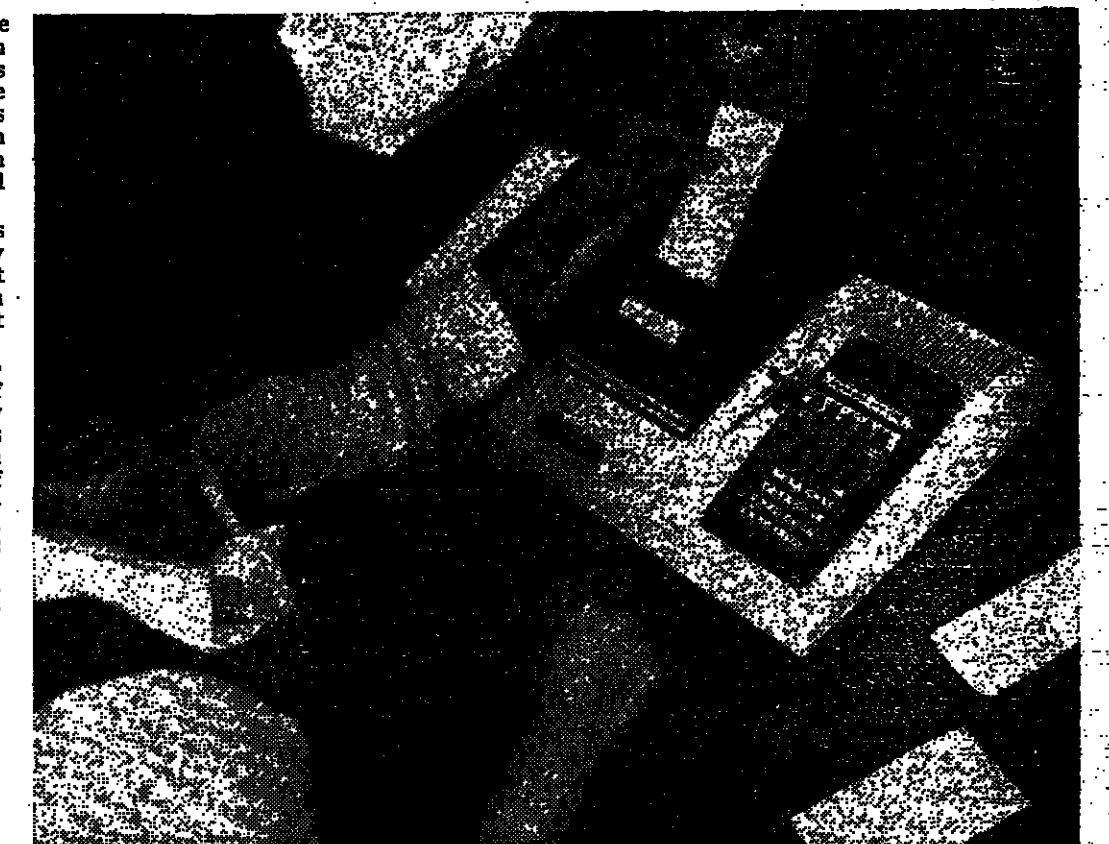
As prices fell, so the impact on distribution patterns became even more significant. The retail emphasis switched to the fast-growing electrical chains, such as Dixons and Currys. The High Street multiple giants, such as W. H. Smith, F. W. Woolworth and Boots, quickly followed suit and brought the price and availability of calculators well within the reach of the average consumer.

The importance of this move into the High Street was even more significant for the retail industry, since it opened up the marketing men a whole new category of buyers—women.

Women were not traditionally buyers or users of calculators, since these were seen very much as the prerogative of the male executive. Yet women are important buyers of watches, pens, cigarette lighters, and other products as gifts. About half the purchases of calculators bought by women are for somebody else, according to market research, while only a quarter of purchases by men are intended as gifts.

Not surprisingly, the availability of cheap calculators in many High Street stores has attracted women buyers. Market research shows that while more men than women buy calculators, the growth rate for women—albeit from a smaller base—is the faster.

However, the popular theory that women are buying more calculators to enable them to grapple with the complexities of unit pricing in supermarkets is not considered within the retail trade as a significant factor. Even so, Tesco once took a consignment of 20,000 Commodore Business Machine calculators and sold out within a week.



An "Ecstasy" machine, incorporating a Texas Instruments TI-58 programmable calculator with a custom ROM program module, designed specially for use by betting shop settlers

One of the main problems for the retailer has been keeping in touch with changing market fashions. A year is a long time in the calculator world and product-life does not extend to more than two years in some cases, although manufacturers believe that this is often twice as long.

With prices and fashion changing so fast, no store wants to be left high and dry with a batch of unsold obsolescent calculators. This is even more crucial considering that their initial profit margins are already pared to the bone.

## Quality control

Thus, the market which manufacturers have created out of their own technology has produced its own remorseless pressure for more technology, more innovation, and more new models.

Manufacturers can no longer just be satisfied with putting a product on the market at the right place. Calculators must now have minimum quality standards and a degree of reliability that was not common, even two years ago. As a result, many manufacturers have changed their quality control procedures, which have tended to become much more complicated.

In the long run, however, this attention to quality control is of benefit to manufacturers as well as consumers since the low profit margins on calculators at the bottom end of the price range does not allow them to handle many rejects and still make a profit.

The impetus for manufacturers to raise quality standards

for calculators has come partially from retailers, as well. Big store chains have formed close relationships with the producers and have often insisted on proper quality control because their own retail reputations are at stake.

But because rejects are normally replaced immediately by the retailer, who, in turn, receives a replacement from the manufacturer, it is the producer who bears the highest sacrifice for low standards.

Another factor that retailers have had to take into account is the seasonality of calculator sales. The ratio of winter to summer sales is estimated to be about two-to-one in favour of winter. The main sales peaks come in the run-up to Christmas, and also at the start of the new school year.

About two out of every five calculator sales take place during the September to December period, while remaining winter months—January to March—are secondary in importance.

The main question for retailers, however, is what will happen to prices and demand during the 1980s. It does not seem likely that prices can fall much further at the bottom end of the market since the most basic calculators now sell for £5 or less. New savings from technology and production methods at this end of the market are likely to be insufficient to compensate for the increase in inflation in other costs areas.

But while price alone will not substantially increase the market, there are other factors that could be exploited by retailers to increase sales.

The age entry into the calculator market, for example, has become progressively lower, moving down from university students to sixth formers, then to O-level pupils and, now surprising as it may seem, towards the primary school level.

Calculators have also made a significant impact into the electronic toys and games market, a fact that a number of retailers exploited just before last Christmas. Electronic Mastermind, for example, is a prime example of the use of calculator technology as an interesting game. In the same way, games such as the "Little Professor" help young children to develop their mental arithmetic skills by use of a calculator.

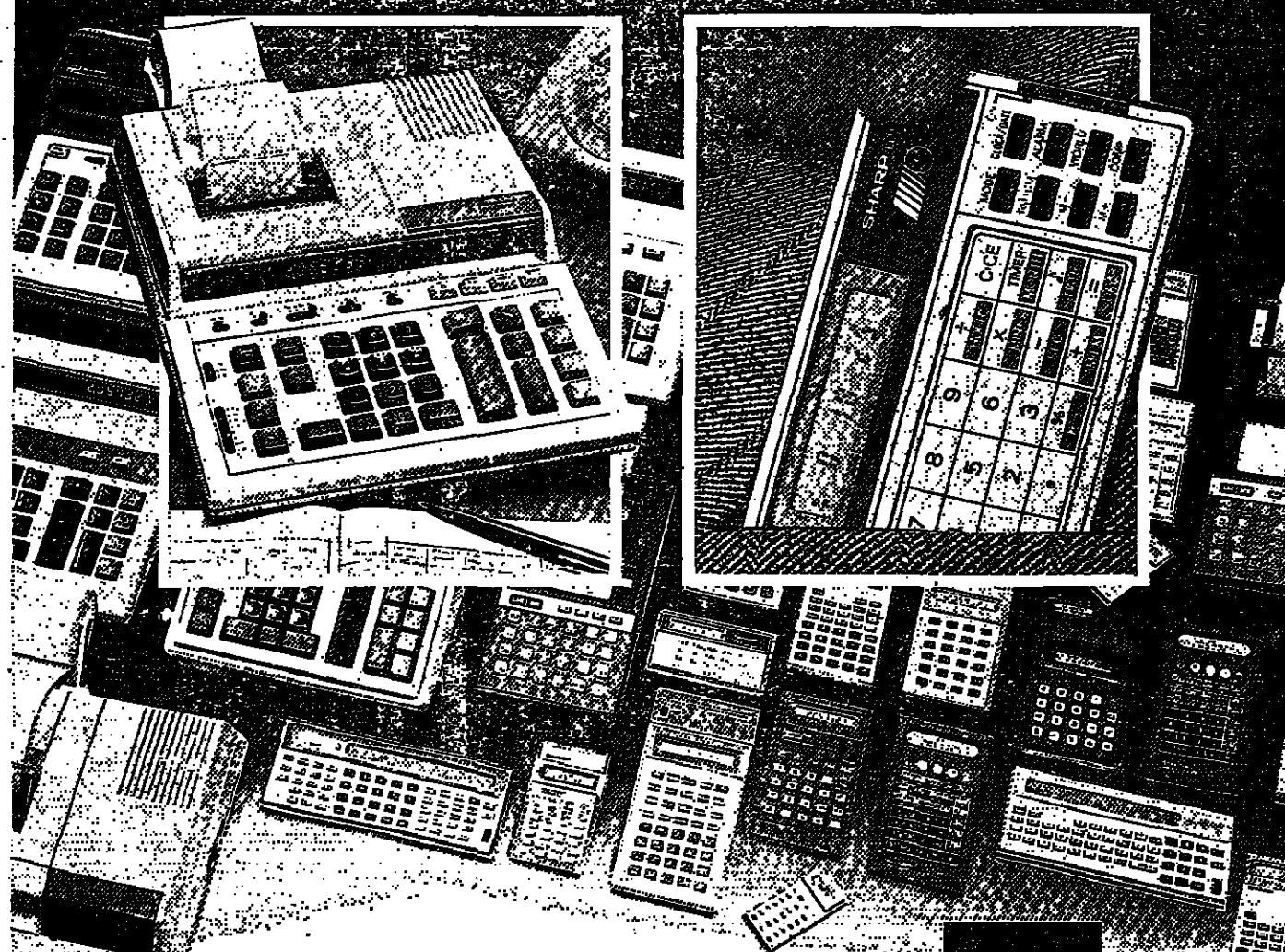
## Development

One novel development introduced just before Christmas was the "Brainbank" which incorporates calculator technology to act as a learning aid, phrase book and translator for foreign languages, a library of general knowledge, and a personal filing cabinet, all rolled into one.

During the 1980s, retailers will be keen to promote sales of the more technological and higher-priced calculators (or spin-offs), which will earn higher profit margins. But, at the same time, retailers will continue to promote the simple and cheap calculator as a means of ensuring that consumers are educated to use calculators instinctively.

David Churchill

## Sharp Calculators fit your desk &amp; your pocket



Sharp introduced the world's first electronic solid state desk top calculator. We've continued to lead the way since then and offer a world beating range of superbly reliable calculators for every purpose.

Every model in the advanced Sharp range employs the latest and best electronic technology, from desk top calculators with every sort of built in benefit to the newest of our slim, elegant personal calculators.

Take a look at the Sharp range—it adds up to a pretty impressive collection.

No.1 in the world

SHARP

Audio, Video, Business Systems, Calculators, Cash Registers, Copiers, Microwave Ovens.

Please send me further details of the Sharp range of Calculators

NAME

COMPANY

ADDRESS

TITLE

Calculator Division, Sharp Electronics (UK) Limited, Sharp House, Thorp Road, Newton Heath, Manchester M10 9BE Tel: 061-205 2333

DESK TOP ☐ HAND HELD ☐







Standard Chartered Ind. Bd.	Fd.	300	Worldwide Gm Fd	US\$2.51	10.34	-
37 rue Notre-Dame, Luxembourg			- Wren Commodity Trust			
NAV May 26	US\$10.27	10.29	10 St. George's St. August Ind.			10.29
			Wren Commodity Tr.	10.29		



# AUTHORISED UNIT TRUSTS

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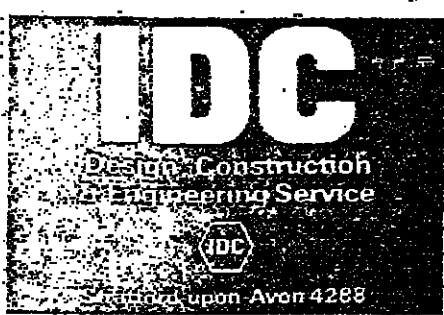
# INSURANCE PROPERTY BONDS

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## OFFSHORE & OVERSEAS FUNDS

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# FT SHARE INFORMATION SERVICE

## LOANS—Continued

1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994	993	992	991	990	989	988	987	986	985	984	983	982	981	980	979	978	977	976	975	974	973	972	971	970	969	968	967	966	965	964	963	962	961	960	959	958	957	956	955	954	953	952	951	950	949	948	947	946	945	944	943	942	941	940	939	938	937	936	935	934	933	932	931	930	929	928	927	926	925	924	923	922	921	920	919	918	917	916	915	914	913	912	911	910	909	908	907	906	905	904	903	902	901	900	899	898	897	896	895	894	893	892	891	890	889	888	887	886	885	884	883	882	881	880	879	878	877	876	875	874	873	872	871	870	869	868	867	866	865	864	863	862	861	860	859	858	857	856	855	854	853	852	851	850	849	848	847	846	845	844	843	842	841	840	839	838	837	836	835	834	833	832	831	830	829	828	827	826	825	824	823	822	821	820	819	818	817	816	815	814	813	812	811	810	809	808	807	806	805	804	803	802	801	800	799	798	797	796	795	794	793	792	791	790	789	788	787	786	785	784	783	782	781	780	779	778	777	776	775	774	773	772	771	770	769	768	767	766	765	764	763	762	761	760	759	758	757	756	755	754	753	752	751	750	749	748	747	746	745	744	743	742	741	740	739	738	737	736	735	734	733	732	731	730	729	728	727	726	725	724	723	722	721	720	719	718	717	716	715	714	713	712	711	710	709	708	707	706	705	704	703	702	701	700	699	698	697	696	695	694	693	692	691	690	689	688	687	686	685	684	683	682	681	680	679	678	677	676	675	674	673	672	671	670	669	668	667	666	665	664	663	662	661	660	659	658	657	656	655	654	653	652	651	650	649	648	647	646	645	644	643	642	641	640	639	638	637	636	635	634	633	632	631	630	629	628	627	626	625	624	623	622	621	620	619	618	617	616	615	614	613	612	611	610	609	608	607	606	605	604	603	602	601	600	599	598	597	596	595	594	593	592	591	590	589	588	587	586	585	584	583	582	581	
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